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Policy Research Notes

Issue 27

International Considerations for U.S. Agricultural and Food Policy

POLICY RESEARCH NOTES: Published by the Economic Research Service, USDA, and the Illinois Agricultural Experiment Station for professionals in Public Agricultural and Food Policy Research, Teaching, Extension and Policymaking.

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Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS. Notes are prepared by R.G.F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801 and Harry S. Baumes, Jr. U.S. Agricultural Policy Branch, ATAD, ERS, 1301 New York Avenue NW, Washington, D.C. 20005-4788.

INTRODUCTION

<u>International Environment for Agricultural and Food Policymaking</u> is the theme of this issue of the <u>Policy Research Notes</u>. There are presently strong interrelationships between the international and the national scenes. During the next year and a half, the U.S. will be developing the 1990 policy for its agricultural and food sector to succeed the Food Security Act of 1985, and those decisions will be affected by the policies of other major agricultural trading nations as well as the ongoing GATT discussions. Similarly, those very 1990 policy choices will impact future GATT agreements, and are being closely watched with apprehension by many other countries. Thus, it is quite appropriate that seven selected commentaries focus on the international policy environment at this time.

Four executive summaries about specific countries lead off these commentaries. Bob Spitze has edited, using a parallel format, four major papers about the domestic policies of prominent trading nations. These summaries are introduced by a preface setting forth the purpose and approach of the synopses. A reference is provided for a forthcoming book that will include the full texts of the papers. The executive summaries by author and country are as follows: European Community - Michel Petit; Canada - T. K. Warley; Japan - Masayoshi Honma and Yujiro Haymi; and Brazil - Antonio Salazar P. Brandao.

Then, to provide a broader perspective about a large importer of grain products, as an example of a developing nation, Mohammed F. Sharaf and Carter Price explore the recent history and new directions of Egyptian policy.

Charles Hanrahan presents a succinct analysis of the current state of the important GATT negotiations by reviewing the background, the various proposals on the bargaining table, the short and long term elements of the talks, and particularly difficult issues ahead including that of the needs of developing countries.

Finally, John Dunmore examines the findings from research that are germane to the international trade negotiations, including measures of policy subsidies, as reported at a recent Consortium of policy researchers focusing on international trade.

In order to continue to provide an avenue for current communications between policy workers and a source of up-to-date policy developments, this issue also includes sections about policy announcements, research news items, publications available, and updates on commodity program, administrative, and legislative decisions.

ANNOUNCEMENTS

Compiled by R. G. F. Spitze

Program Details for 1989 NPPEC Conference

On September 18-21, 1989, the 39th Annual National Public Policy Education Conference will be held in New Orleans, Louisiana. Topics for this year include: 1) The U.S. Economy and Agriculture in the 1990's; 2) Agricultural Policy in the 1990's; 3) Family Policy; 4) Rural Development Policy; 5) Public Policy Education; and 6) Water Quality Policy Issues.

For further information contact Karen Behm, NPPEC Chair, Economics and Rural Development, Cooperative Extension Service, Louisiana State University, Baton Rouge, LA 70803-5604 or Farm Foundation, 1211 W. 22nd Street, Suite 216, Oak Brook, IL 60521-2197.

1990 Agricultural and Food Policy Workshop

A national workshop with the theme, "Food and Agricultural Policy Issues--Alternatives for the 1990s," will be held November 16-17, 1989, Washington, DC. The workshop is co-sponsored by the NCR-151 Policy Research Committee, American Agricultural Economic Association (AAEA); Farm Foundation, Kellogg Foundation, National Center for Food and Agricultural Policy of the Resources for the Future, and USDA Economic Research Service (ERS); it is partially funded by the AAEA Foundation Board. It is being planned by a subcommittee of NCR-151 (Harry Baumes (ERS), Jim Hildreth (Farm Foundation), Jean Kinsey (Minnesota), Marshall Martin (Indiana), Daryll Ray (Oklahoma), Fred Woods (ES), Carl Zulauf (Ohio), and Bob Spitze (Illinois), Chair.)

The workshop is especially designed to provide ample opportunity for participant interaction. Approximately half of the conference time will be devoted to discussion. Recognized professional policy workers will address the following topics to initiate the sessions: Current Economic Development Affecting Agricultural and Food Policy (National and International); Rural Income Strategies (New Market and Rural Development); Federal Budgetary Implications; Environmental Policy and the Agricultural Sector (Water Quality and LISA); Food Policy Issues (Food Safety, Quality, and Prices); Long-term Farm Income, Trade, and Food Policies; and Results of a Recent National Agricultural and Food Policy Preference Survey. The publication of a Proceeding is planned.

Wide participation is encouraged, especially: policy workers in research, teaching, and extension; Congressional members, Executive Officers, and their staffs; and leaders in agricultural, consumer, trade, business, environmental, and social organizations. Every effort will be made to make this a current, relevant workshop to the important future policy developments, and as accessible and reasonable in cost as possible (tentative registration - $50). Additional program and registration information, including location and lodging, will be forthcoming.

For further information about this Workshop, contact R. G. F. Spitze, Chair, Workshop Planning Committee, 305 Mumford, 1301 W. Gregory Dr., University of Illinois, Urbana, IL 61801 (217-333-1820), or any member of the above planning committee.

Spring Agribusiness Outlook and Policy Conference

This biannual conference will be held February 15, 1990, Des Moines, Iowa Convention Center. Presentations will be made about the most recent domestic and international agricultural outlook, including analyses of macroeconomic and agricultural policy impacts on trade, crops, and livestock. The analyses are based on ten year baseline projections produced by the Center for Agricultural and Rural Development (CARD) and the Food and Agricultural Policy Research Institute (FAPRI).

For further information about this conference, contact W. H. Meyers, Iowa State University (515-294-1184) or Judith Gildner, 578 Heady Hall, Iowa State University, Ames, IA 50011.

National Conference Proceedings Available

With the exception of a few years, American agriculture in the post-WW II period has had to cope with the problems associated with productive capacity growing faster than has aggregate demand. Accordingly a symposium on Surplus Capacity and Resource Adjustments in American Agriculture was held in St. Louis, MO on Jan 23-24, 1989. The symposium was organized by a subcommittee of NCR-151 and sponsored jointly by NCR-151, the Agricultural and Trade Analysis Division of Economic Research Service, USDA, and the Farm Foundation.

The symposium was designed to address the following questions: Is there surplus capacity in American agriculture? Do excess resources remain in this sector? Do existing policies impede resource adjustments in this sector? Would new policy approaches facilitate more appropriate adjustments in agriculture: Are there significant differences in adjustment issues and prospects in the various regions of the country?

So that all participants had a common base from which to prepare their remarks, a background paper summarizing the "free-market" results of the various quantitative models available was prepared in advance of the symposium. This paper provides a summary of several U.S. models and of the leading global free-trade models for which results are available.

A conference proceedings will be available in July that includes the following chapters:

- Technological Progress, Productivity and the Productive Capacity of American Agriculture
- Excess Capacity and Overinvestment: Relevance for Policy Reform in U.S.
- Resource Adjustments in American Agriculture
- Trade Liberalization and Resource Adjustments in Southern Agriculture
- Agricultural Resource Adjustments in the Corn Belt
- Adjustment Issues in the Plains and Western Range Areas
- Resource Adjustment Issues in Southwest Agriculture
- U.S. Dairy Sector Production Capacity Adjustments

- Commodity Policy and Resource Allocation
- Conservation Reserve and Conservation Compliance Programs
- Programs to Support a Policy of Adjustment Assistance

Inquire about the availability of this proceedings from Milton C. Hallberg, Penn State University, 101 Weaver Building, University Park, PA 16802.

National Center Announces 1990 Leadership Program

The National Center for Food and Agricultural Policy at Resources for the Future is pleased to announce that applications are now being accepted for the 1990 Leadership Development Program.

Up to twenty-five mid-career professionals will be selected to take part in two two-week series of workshops, briefings, and seminars which cover the full spectrum of food and agricultural policy issues. To apply, you must have a baccalaureate degree, five years work experience, and a desire to become more effective as a leader in your field. The program is held in Washington, D.C. from January 31 through February 15 and March 4 through 17, 1990. The application deadline is September 29, 1989.

For more information and application forms, write to: Leadership Development Program, National Center for Food and Agricultural Policy, Resources for the Future, 1616 P Street, N.W., Washington, DC 20036, or call Tamara Kloecki (202-328-5117).

Conference on Food Safety in the Human Food Chain

The Centre for Agricultural Strategy, University of Reading, England, has announced a conference on "Food Safety in the Human Food Chain," in London, September 27, 1989. It is sponsored by the UK Ministry of Agriculture, Fisheries and Food, with a Conference fee of 75 English pounds.

The first paper will describe the food chain as a whole and the main elements which present risks. The relative magnitude of the problems will then be assessed, covering metallic and microbial contaminants, pesticide and animal hormone residues, and the production of toxic compounds in food or raw materials. The consumer's view on the degree of safety to be expected in food will be presented, balanced against the practicability and cost of providing complete freedom from environmental contamination. Methods of processing and preservation will be considered in terms of standards of purity and hygiene at all stages. Finally, the methods used to ensure food safety during distribution and the entire retail process will be discussed.

For further information about the Conference, contact Richard Bennett, Centre for Agricultural Strategy, University of Reading, 1 Earley Gate, Reading RG6 2AT. Tel: Reading (0734) 318156.

POLICY RESEARCH NEWS NOTES

Compiled by R. G. F. Spitze

OECD Member Country Review Issued

An agricultural policy and economic outlook review of member countries is being carried out annually by the Organization for Economic Cooperation and Development (OECD). In the second annual report, analyses are presented of recent developments on a country by country basis up until early 1989, in light of the principles for agricultural policy reform outlined in the 1987 and 1988 Ministerial Communiques. Using the concept of Producer and Consumer Subsidy Equivalents, it also gives levels of assistance by countries and commodities for the years 1984-1988.

Inquire about the work from F. R. Baker, OECD-Agriculture, 37 bis BLVD Suchet, 75016 Paris, France, and order a copy of this second report, Agricultural Policies, Markets and Trade: Monitoring and Outlook 1989 (a charge), from OECD Publications Center, Suite 1207, 1750 Pennsylvania Ave. N.W., Washington, D.C. 20006-4582.

Study of EC-US Agricultural Trade Relations and GATT

This study focuses on the origins of EC and U.S. farm policies and their recent changes. Further, it examines the interactions between the policies of these two major exporters, discusses their proposals in GATT, and presents the debate on the building of a consensus for farm policy reform.

Inquire about this study from Tassos Haniotis, CEAS, Wye College, Wye, Ashford, Kent TN25 5AH, England, and request a copy of a related paper, "EC-US Agricultural Trade Relations and the Uruguay Round of GATT Negotiations," Discussion Paper 89/L, (charge of 5 English pounds), from Department of Agricultural Economics at above address.

Multilateral Trade Liberalization in Agriculture

This study analyzes the economywide impacts of a multilateral trade liberalization in agriculture by industrialized market economies on Canada, Japan, and the European Market. The analysis takes changes in world market prices and in the price structures of the three countries from results obtained by SWOPSIM. It compares simulations of the free-trade scenarios with baseline results obtained over the period 1986-2000 for each of the countries.

Inquire about this study and request a copy of a related paper, "Economywide Effects of a Multilateral Trade Liberalization in Agriculture on Industrialized Market Economies," March, 1989, from Judith Gildner, CARD Information Services, Center for Agricultural and Rural Development, 578 Heady Hall, Iowa State University, Ames, IA 50011-1070.

GATT and Trade Prospects Theme of Journal Issue

The Journal of Agribusiness contains a compendium of papers addressing the issue of international trade liberalization for agricultural and food products. Prospects for international trade liberalization (GATT negotiations) and potential impacts are embraced. Trade policy is a major component.

Inquire about this effort and request a copy of the Journal of Agribusiness, Vol. 7, No. 1, February 1989, (may be a charge) from Joseph C. Purcell, Agricultural Economics Department, Georgia Station, The University of Georgia, Griffen, GA 30223-1797.

What Does the Cairns GATT Proposal Mean for Budgets

This study focused on the trade liberalization proposal offered in July 1988 by the Cairns Group for consideration in the Uruguay Round of the GATT negotiations. The proposal called for a "down payment" for trade liberalization in the form of ten percent reductions in levels of agricultural support. Congressional Budget Office analysis concluded that this would require minimal changes in current U.S. policies.

Inquire about this study and request a related publication, Budgetary Effects of the Cairns GATT Proposal, by Roger Hitchner, David Trechter, Andrew Morton, Eileen Manfredi, and Hsin Hui Hsu, from David Trechter, Congressional Budget Office, 2nd and D Streets, S.W., Room 495, Washington, D.C. 20515.

U.S. & World Agricultural Outlook and Projections

This work continues the FAPRI baseline projections for the U.S. agricultural sector and international agricultural commodity markets. It incorporates macroeconomic and financial forecasts from the WEFA Group (Bala Cynwyd, PA) and domestic and trade policy assumptions for major participants in world markets for feed grains, soybeans, wheat, and rice. Specific projections are generated for the next five years with period averages given for the following five years.

Inquire about this work and request a copy of the related report, U.S. & World Agricultural Outlook, February 1989, from Joe Trujillo, FAPRI-Missouri, 132 Mumford Hall, UMC, Columbia, MO 65211.

Grain and Oilseed Export Potential to EC Studied

The impact of the EC enlargement on U.S. agricultural exports to the region is analyzed by a model differentiating products by origin. Simulation of the enlargement, based on average 1983-85 trade flows indicates that the integration of Spanish and Portuguese agriculture into the EC variable import levy regime, ceteris paribus, results in an 8% drop of corn imports into the new EC members while soybean exports increase by 11%.

Inquire about this effort from Glenn C. W. Ames, 315 Conner Hall, Agricultural Economics, University of Georgia, Athens, GA 30602, and request a copy of a related publication, U.S. Corn and Soybean Exports to the Enlarged European Community, Research Bulletin 381, December 1988, by Tassos Haniotis and Glenn C. W. Ames, from Billy Lee, Publications Mail Sup., 125 Barrow Hall, The University of Georgia, Athens, GA 30602.

Agricultural Policy and Protection in Japan

This study critically appraises the Japanese farm policy position. The farm-support policies of the industrialized countries are coming in for more and more attention, partly because of the budgetary problems they are posing, and partly because of the crisis in international agricultural trade. Japan agricultural policy epitomizes the crisis.

Inquire about this effort and request a copy of a related paper, "Agricultural Trade and Protection in Japan," 1988, from Jimmye S. Hillman, Department of Agricultural Economics, Economics Bldg., Rm 208, University of Arizona, Tucson, AZ 85721.

A Look at Agricultural Assistance and Agricultural Trade

This review attempted to answer the question as to whether improvement of agriculture in less-developed nations facilitates economic growth and increases incomes, some of which is used for the import of food. Evidence of this relationship was found in the decade of the 1970's, when developing nations became important to world-wide trade in agricultural products. A review of the work of those who have critically examined the question of assistance suggest that it is in the U.S. interest to continue its assistance to agriculture in developing nations.

Inquire about this review and request copies of a related set of papers, "Agricultural Assistance to Developing Nations," 1988, from Warren L. Trock, Extension Economist, Department of Agricultural & Resource Economics, Colorado State University, Ft. Collins, CO 80523.

New Farm and Food Policy Textbook Available

A new policy textbook by Ken Robinson, Cornell University, has just been released. It is characterized as an undergraduate text and covers in its fifteen chapters a wide range of topics in the agriculture, resource, food, marketing, trade, and politics areas.

Order copies of Robinson, Kenneth L., Farm and Food Policies and Their Consequences (there will be a charge), 1989, 294 pp., from College Operations, Prentice Hall, Englewood Cliffs, NJ 07632.

Policy Preferences of Farm Operators, Agribusiness, and Citizens

Under a cooperative agreement with ERS, a coordinated effort is underway to assess the policy preferences of farm operators in about 20 states in the first half of 1989. A cooperative effort with the Roosevelt Center for American Policy Studies was undertaken in May to ask panels of citizens from different occupations their views on farm, food, and rural development policies. In Illinois, a survey of selected agribusiness groups posed similar questions.

Inquire about this effort from Harold D. Guither, 305 Mumford Hall, University of Illinois, 1301 W. Gregory Drive, Urbana, IL 61801, and request a copy of an initial future publication, Policy Preferences of U.S. Farmers, November 1989, by Harold D. Guither, Marshall Martin, Bob Jones, Robert G. F. Spitze (and other cooperators) from the senior author, Department of Agricultural Economics, 305 Mumford Hall, 1301 W. Gregory Drive, Urbana, IL 61801.

Evaluation of Policy Alternatives for Crops

This research was in response to a request to evaluate the impacts of three policy proposals on wheat, corn, and soybeans. These proposals included: (1) reducing the proportion of a participating producers base covered by target price support; (2) reducing target prices by 2%; and (3) reducing target prices by 5%. Each option was evaluated relative to FAPRI's current baseline projections as of January, 1989.

Inquire about this effort from Joe Dillier, 132 Mumford Hall, UMC, Columbia, MO 65211, and request a copy of a related report, "Analysis of Three Options to Reduce Farm Support Expenditures," April 1989 from Joe Trujillo at the above address.

The Triple Base Option for 1990 Policy

This study looked at the recently proposed policy option called triple base. It was found that the triple base option to current farm programs could reduce federal outlays, increase farmers' planting flexibility, and reduce, on the margin, the influence of government programs on planting decisions. The study also examined the design features, pros and cons, reactions of other government programs, and factors affecting program cost.

Inquire about this study and request a copy of a related report, "A First Look at the Triple Base Option," by Roger Hitchner and David Trechter from Roger Hitchner, Congressional Budget Office, 2nd and D Streets, S.W., Room 495, Washington, D.C. 20515.

FAPRI's Analysis of Future Markets and Trade

In this research, commodity market outlook for wheat, coarse grains, and soybeans is evaluated for the period through the mid-1990s. The projections are based on assumptions about economic growth and agricultural policies that closely resemble current conditions. The projections include world market prices as well as supply, demand, and trade in these key commodities. The evaluation includes detailed breakouts of coarse grain and wheat production, consumption, and trade in major developing countries and regions.

Inquire about this research and request a copy of a related publication, Commodity Market Outlook and Trade Implications Indicated by FAPRI Analysis, April, 1989, from Judith Gildner, CARD Information Services, Center for Agricultural and Rural Development, 578 Heady Hall, Iowa State University, Ames, IA 50011-1070.

Projections of Commodity Program Spending

This inquiry presents the Congressional Budget Office's projections for commodity spending over the next five years. Issues considered included baseline concepts, the outlook for individual program commodities, and the potential impact of current GATT negotiations on farm spending.

Inquire about this effort and request a copy of a related release, "The Outlook for Farm Commodity Program: Fiscal Years 1989-1994," by Roger Hitchner, David Trechter, Andrew Morton, Eileen Manfredi, and Hsin Hui Hsu from Roger Hitchner, Congressional Budget Office, 2nd and D Streets, S.W., Room 495, Washington, D.C. 20515.

Accomplishments of LISA Program Reviewed

The LISA program (Low-Input/ Sustainable Agriculture) is now in its second year. This study looks at results from some of the projects funded by LISA funds as well as related studies.

Inquire about this research from J. Patrick Madden, Madden Associates, P.O. Box 10338, Glendale, CA 91209, and request a copy of a related report, "Early Results of the LISA Program," April 1989 by J. Patrick Madden, from Patricia Dunn, CSRS USDA, 342 Aerospace Center, Washington, D.C. 20250-2200.

Chemicals in the Human Food Subject of Reports

The Agricultural Issues Center's study of the quality of the food supply has produced several publications and companion video tapes. They focus on these topics: (1) Chemicals in the Human Food Chain: Sources, Options, and Public Policy; (2) Agricultural Chemicals in California Plant Production: Are There Alternatives?; (3) Regulating Chemicals: A Public Policy Quandary; (4) Chemicals Use in Food Processing and Postharvest Handling: Issues and Alternatives; (5) Chemical Use in Animal Production: Issues and Alternatives.

Inquire about this project and about the availability of these publications and communication materials (charge for each) from Harold Carter, Agricultural Issues Center, UC Davis, Davis, CA 95616.

Groundwater Contamination from Agricultural Producers Subject of Research

This research addresses the issues of assignment and apportionment of legal liability for groundwater contamination from agricultural producers using pesticides. The major focus involves an analysis of liability options and development of an analytic foundation to apportion injuries and damages from pollution. Alternative solutions based on property rules and entitlements are suggested to supplement liability rules to provide a better response to groundwater contamination problems.

Inquire about this research and a related paper, "Developing an Economic Methodology for Legal Provisions Regulating Groundwater Pollution," Georgia Agricultural Economics Faculty Series # FS89-35, from Terence J. Centner, Department of Agricultural Economics-University of Georgia, 313 Conner Hall, Athens, GA 30602.

Analysis of Subsidies for Reclamation Irrigation Projects

This analysis examines procedures used in estimating the total size of the subsidy received by users of irrigation subsidies since the inception of Bureau of Reclamation water projects. Findings included a conclusion that between $35 and $70 billion dollars have been transferred to irrigation users.

Inquire about this analysis and request a related report, "Procedures for Estimating the Subsidies Associated with Bureau of Reclamation Irrigation Projects," from David Trechter, Congressional Budget Office, 2nd and D Streets, S.W., Room 495, Washington, D.C. 20515.

A Look at Commodity Promotion Check-Offs

This study found that both consumers and producers may respond to the use of producer contributions to fund commodity promotion. The microeconomic foundation is laid for evaluating generic promotion campaigns where government is involved, supply is uncontrolled, and markets are close to saturation. Recent legislation enabling beef and pork promotion provides an application for the model.

Inquire about this study and request a copy of a related report, Generic Advertising without Supply Control: Models and Public Policy Issues, December, 1988, from Judith Gildner, Manager, CARD Information Services, Center for Agricultural and Rural Development, 578 Heady Hall, Iowa State University, Ames, IA 50011-1070.

Egg Producer Attitudes Toward Supply Management

This research focuses on the policy alternative of supply control. Egg producers were surveyed concerning their attitude toward a marketing order for promotion, supply management, and export development.

Inquire about this research and request a copy of a periodical reporting relevant results, Farm Economics, May/June, 1989, from Milton E. Madison, 1-C Weaver Building, Pennsylvania State University, University Park, PA 16802.

Economic Implications of Market Developments in the Beef Industry

This research focuses on the economic implications of recent changes in beef marketing. Abuse of market power, as measured by control of prices and excessive profits, does not appear to be a serious problem in the beef industry at this time. The challenge of restructuring in beef processing and the countervailing power between large packers and large retailers probably play a role. The industry's performance regarding progressiveness is more difficult to assess, i.e., how to know what may be missing in products or processes that could have, but did not, come into existence.

Inquire about this effort from Gerald Marousek, Department of Agricultural Economics and Rural Sociology, University of Idaho, Moscow, ID 83843 and request a copy of a related publication, "Market Developments in the Beef Industry: The Stakes for Producers and Consumers," Department of Agricultural Economics and Rural Sociology Current Information Series No. 843, April 1989 (charge of $.35), from Agricultural Communications Center, University of Idaho, Moscow, ID 83843.

Penn State Establishes a "Community and Economic Development Corps"

The "Community and Economic Development Corps (CED Corps)" is a new outreach program of the Penn State University in partnership with Bell Telephone of Pennsylvania and local communities. The program supports locally-initiated community and economic development projects throughout the state. Graduating seniors and graduate students are employed full-time as University staff in local communities. The program seeks to enhance the capacity of communities to address local issues, to facilitate technology transfer from the University to the field, to strengthen local community labor forces, and to provide incentives for young people to remain in or return to their communities.

Inquire about this effort from Drew Hyman, Penn State University, 111 Weaver Building, University Park, PA 16802.

Longitudinal Survey of North Dakota Farmers Continued.

In the fourth survey in a longitudinal study of farm and ranch operators in North Dakota, demographic, management, financial, and attitudinal characteristics have been analyzed. In addition, the effects of the 1988 drought and off-farm employment were assessed.

Inquire about this longitudinal study and request a copy of one of the initial reports from it, "Outlook of North Dakota Farm Households: Results of the 1988 Longitudinal Farm Survey," from F. Larry Leistritz, Department of Agricultural Economics, North Dakota State University, Fargo, ND 58101-5636.

Results of Kentucky Farmer Survey Released

This research examines various socio-economic characteristics of Kentucky's farming community as revealed from the 1986 Kentucky Farm Change Survey. That survey was the initial phase of a multi-year examination of Kentucky farms and how Kentucky's farmers respond to market changes, as well as shifts in federal commodity programs and policy. In the research, emphasis is given to methodology, farmer characteristics, views of farmers, land markets, financial conditions, conservation, management strategies, and aspects of the tobacco program.

Inquire about this research effort, involving a team of researchers, from Jerry Skees, 1255 23rd St., N.W., Suite 880, Washington, D.C. 20037, and request copies of a set of twelve publications from the research titled, Kentucky Farm Change: Report from 1986 Survey of Kentucky Farmers, August, 1988, from Kurt Stephenson, 307 Agriculture South Building, Department of Agricultural Economics, Lexington, KY 40546-0215.

Characteristics of Participants in the CRP, North Dakota

This investigation involves a comprehensive analysis of the characteristics of those North Dakota landowners having land enrolled in the Conservation Reserve Program (CRP). Factors considered are demographic, land, financial, farm management changes, and participant opinions. An input-output analysis is one of the techniques used to estimate the economic impact on the state through the fifth CRP sign-up.

Inquire about this investigation and request copies of two related reports, "A Baseline Analysis of Participants in the Conservation Reserve Program in North Dakota," Agricultural Economics Miscellaneous Report No. 120, December, 1988, and "An Analysis of Baseline Characteristics and Economic Impacts of the Conservation Reserve Program in North Dakota," Agricultural Economics Staff Paper AE89004, March, 1989, from F. Larry Leistritz, Department of Agricultural Economics, North Dakota University, Fargo, ND 58105-5636.

Is West Virginia Agriculture Affected by Farm Program Payments

This inquiry was designed to answer this question for a state outside of the primary agricultural areas. Although Federal farm payments are relatively small in West Virginia, they are important income components for many farmers. Dynamic and static models, with relevant price, technology and government program variables specified, were used to evaluate program importance. Federal payments have had statistically significant impacts on the production of corn and wool but not on wheat.

Inquire about research and request a copy of a related paper, "Impacts of Farm Programs on West Virginia Agriculture," from Dale Colyer, Agricultural Economics, West Virginia University, P.O. Box 6108, Morgantown, WV 26506-6108.

Farmers Entering and Exiting Farming Surveyed in North Dakota

Surveys have been conducted of farm and ranch operators in North Dakota to determine characteristics of new entrants into farming and also those leaving farming in recent years. Other areas addressed included off-farm employment, farm organization and characteristics, and effects of the 1988 drought.

Inquire about these surveys and the availability of reports to be issued from F. Larry Leistritz, Department of Agricultural Economics, North Dakota State University, Fargo, ND 58105-5636.

POLICIES OF MAJOR AGRICULTURAL TRADING NATIONS - A SYNTHESIS

Edited by R. G. F. Spitze

Preface

The following four executive summaries are syntheses of more detailed papers by distinguished researchers about the agricultural and food policies of selected major agricultural trading nations. These summaries will permit a ready understanding of the essence of those policies and also of comparisons among them concerning the primary provisions and consequences of each.

It is increasingly important that policy researchers, educators, and decision makers understand the policies of countries beyond their own. First, a rational 1990 agricultural and food policy to serve the multitude of diverse private interests can not be fashioned for the U.S. without understanding the policies of countries which are its traders or competitors. Secondly, agricultural trade is the largest single demand factor that continually creates instability in the economic environment of the agricultural sector, and the policies that guide that trade of each nation must be understood if international commerce is to be pursued with both private and public benefit. Third, an understanding of the policies of major agricultural trading nations is critical to the pursuit of mutually satisfactory agreements in the ongoing GATT negotiations.

Even though the policies of all of the nations of the world are important to the policy field, the four selected for this review are uniquely important to the U.S., and probably to most participants in world agricultural trade. Japan is the largest agricultural export market for the U.S., the European Community is second, and Canada is among the top five markets, while Brazil is another major competitor, along with the latter two above, in grains and oilseeds.

Public policies directed at problems perceived in the agricultural and food sectors have prevailed in these countries, as well as in U.S., far back through history. Each has a different set of economic, political, and social environments affecting the particular policies chosen. Even though some economists proceed in their policy analysis as though governmental interventions were aberrations to be prevented or eliminated, there is no reliable knowledge base that the absence of public policy in general is any more optimal for societal values than is its presence. Rather, the critical questions are: What problems can best be pursued with private policy or with public policy; What is the best type of public intervention when that is deemed in the public interest; and What relevant, reliable knowledge can the policy research enterprise provide for societies to make rational public choices about its problems?

These executive summaries, approved by the authors, are presented to provide some of that knowledge. To enhance comparative understanding, the format of each of the four papers is similarly organized as follows:

- Rationale for that Country Policy

- Historical Development
- Policy Provisions
- Consequences of the Policy for
  - Producers
  - Consumers
  - Taxpayers
  - Trade
- Future Policy Prospects

The full version of these papers, along with associated discussions, will soon be published as a book with the general title, "Understanding of Food and Agricultural Policies in Industrialized Countries," edited by Marshall A. Martin, Agricultural Economics, Purdue University, West Lafayette, IN 47907. That volume will serve as a proceedings of a national policy workshop arranged by the NCR-151 Policy Research Committee and held in conjunction with the meetings of the American Agricultural Economics Association in 1988.

THE EUROPEAN COMMUNITY: RATIONALE AND FUTURE OF THE COMMON AGRICULTURE POLICY

Michel Petit[1]

Rationale for the European Community (EC) Policy with Pre-CAP Foundations

Europe's Common Agricultural Policy (CAP) unifies and harmonizes national policies of the twelve member countries, all of which have the same general feature, i.e., to support farm income through price support and import controls. European countries began protecting their agricultural production at the end of the nineteenth century, mainly due to competition from overseas grain, particularly American. At that time, France and Germany elected to protect their agriculture; the United Kingdom chose to risk liquidating it through open foreign trade; and others, such as Denmark and the Netherlands, still allowed free entry of low-price grains to specialize in livestock production.

These examples illustrate widespread and enduring government involvement in agriculture long before the CAP was adopted in the post World War II era. There was general agreement that the agricultural sector should not be left to the free play of the market; however, involvement varied widely depending on political and social forces.

Historically, agriculture has played a dominant role in Europe from the era of feudalism and the "landed gentry." Yet, given the population pressures on limited land resources and the alternative opportunities offered by industrialization, Europe was still a major importer of food, right up to World War II.

With the strong nationalistic characteristics of most European countries and the continued conflicts among them, it was logical to insure a minimal domestic food supply for national security purposes when a union of European countries was envisioned in the early 1970s.The break-up of colonial empires and their formerly secure sources of food and other raw materials added further impetus to intervention in domestic food supply policies. To ensure both this minimal domestic food supply for every country, each with varying climatic and production potential, and an European agricultural union, protection at a higher common cost of production was required. At this juncture of their new cooperating venture, the benefits of political agreement outweighed the potential higher food costs.

Historical Development of the CAP

The EC was established by the Treaty of Rome on January 1, 1957, signed by Belgium, Luxembourg, France, Italy, West Germany, and the Netherlands. The EC was subsequently expanded to include the United Kingdom, Denmark, and Ireland in 1973; Greece in 1981; and Portugal and Spain in 1986. In its general features, the CAP is similar to the commodity programs

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of the six original members involving government intervention in agricultural product markets in order to guarantee producer prices through management of supply and demand. As set out in the Rome Treaty, the objectives of the CAP as a community-wide agricultural market management policy were: 1) to increase agricultural productivity; 2) to insure a fair standard of living for the agricultural population; 3) to stabilize market prices; 4) to guarantee food supplies; and 5) to insure the delivery of supplies to consumers at reasonable prices.

The first phase of the CAP commenced July 30, 1962 for grain, pork, poultry meat, fruit, vegetables, and wine, followed by rice, veal, and dairy with a single system of community prices effective on April 1, 1968. By 1992, the EC would like to achieve full integration by reducing regulations, and removing further obstacles to the free movement of people, goods, services, and capital between the member countries.

Policy Provisions

The CAP involves four basic provisions:

1) common prices throughout the community for the main product;
2) free trade between member countries;
3) a single trading system with non-member countries; and
4) a shared community financing of the cost of the farm supports and of modernizing the agricultural economy.

The internal price level is controlled through a system of variable levies on imports and of subsidies for exports. A common European fund -- FEOGA, meaning European Agricultural Guarantee and Guidance Fund -- finances the market intervention. A frequently adjusted levy on grain imports protects the more stable internal community price level against the usually lower and changing world market prices. FEOGA receives the levies from imports and contributions from member states, and in turn pays the export subsidies and costs for approved farm adjustments.

The ultimate decision-making body is the Council of Ministers, consisting of representative(s) from each member state. The Council represents the national viewpoints, and can make decisions by a simple or by a "weighted" majority vote, but significantly, all important decisions in the Council have traditionally been unanimous to respect the goal of unity.

Consequences of the Policy

Producers. Clearly, producers appear as the main beneficiaries of the CAP. With the support price at the level of the more protected member countries, and substantially above world prices, farmers increased production and incomes. If this level of protection were reduced, their income would fall significantly. Since farmers and the rural sector generally are politically powerful in Europe, and generally respected as deserving citizens, a drastic reduction in support to agriculture is difficult. The increased production has not only filled the previously existing self-sufficiency gap in food supply, but catapulted the EC into a major food exporting region. Yet, dramatic adjustments in farm operations are underway and its farm population continues to decline.

Consumers. Consumers appear as one of the main losers of the CAP due to the higher food prices. Nevertheless, consumers are not very vocal critics, except in issues concerning food quality and health hazards. Furthermore, consumers are also enjoying a bountiful and stable food supply.

Taxpayers. The CAP has a high and very visible budget cost. FEOGA expenditures grew from 13 to 23 billion European Currency Units (ECUs) between 1982 and 1986, with an ECU approximating a U.S. Dollar. In 1986, FEOGA expenditures made up 65 percent of the total EC budget.

Trade. High prices encourage production and discourage the quantity demanded. This adverse demand effect exists for both internal consumption and exports. Grain imports are directly curtailed by the variable levy. Exports are subsidized, resulting in domestic production and export volumes not being responsive to changes in world price levels.

Other Impacts. A major impact is on the environment. High prices have favored intensive agriculture, leading to heavy use of fertilizers and chemicals, and intensive livestock production. Pollution has become an important issue due to these intensified farming practices and major investments have to be made to control it. Another impact is that the CAP increases the North-South imbalance in farmers income among the EC member countries. This impact continually plagues the political support for current protective policies.

Future Policy Prospects

The EC's CAP is under great pressure. Budget costs have risen rapidly; yet, influence continues to be exerted for supporting farm income. At the same time, trading partners are continually seeking an end to the Community's "unfair trading practices," such as export subsidies. In February 1988, at the heads of state meeting of the European Council, it was decided that budget outlays for agricultural commodity programs should be "stabilized." Thus, they adopted the principle of various automatic price support reductions proportionate to budget outlays, and also have imposed production curtailment on some commodities, as well as exploring other production control options.

Budget pressures will slow down the growth in Community spending related to agricultural market intervention, but dismantling of the CAP seems unlikely for domestic political reasons. With growing concerns about CAP in the world community, both internal and external conflicts seem certain.

CANADA: RATIONALE AND FUTURE OF AGRICULTURAL POLICY

T.K Warley[1]

Rationale for Canadian Policy

Agriculture has played an important role in Canada since its settlement and it is still the dominant industry in some of the Western Provinces. Its large land area, good farm structure, and well-developed supporting infrastructure provide agriculture with a sound economic base. The agrifood system as a whole accounts for about 15 percent of economic activity and employment in the nation.

Canadian farming is regionally very diverse. So too are policies, the emphasis of which ranges from dairy in Quebec to grains in Saskatchewan. The importance of agriculture also differs, with farming accounting for close to 15 percent of Saskatchewan's provincial product but less than 0.5 percent of Newfoundland's.

Trade in farm and food products represents only 7 and 6 percent of all merchandise exports and imports, respectively, but the agrifood trade balance has typically been from a quarter to half of the overall merchandise trade balance. Exports of food and farm products, particularly grains, oilseeds, live animals, and red meats, usually represent around 50 percent of farm receipts and, since Canada is a middle power in political terms and a small country price-taker in economic terms, the economic health of agriculture, agribusiness and rural society is very dependent on balances and behavior in international commodity markets.

Historical Development

In the first 60 years of Confederation, agricultural policy was primarily concerned with national development, with an emphasis on land settlement, improving biophysical productivity and the provision of credit. Economic regulation was confined to countering monopoly in the railways and in the grain trade. The economic concerns of the 1920s and 1930s, were expressed through "orderly marketing" arrangements such as Commonwealth trade preferences, the international wheat agreement, voluntary farmers' cooperatives, mandatory farmers' marketing boards, and a state trading agency, the Canadian Wheat Board.

Agricultural commodity programs with price and output control provisions were begun in the war years, 1939-1945 and extended by legislation in the next two decades. The regulatory system for milk pricing and marketing was put in place in the mid-1960s. By the 1970s, budgetary pressures were beginning to constrain agricultural policy. Accordingly, market supply management was more firmly embraced as a means of providing farmers with stable returns -- often above competitive levels -- without the need for public expenditures.

The federal Progressive Conservative government that came to power in 1984 was

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philosophically committed to eliminating the federal budgetary deficit by reducing expenditures, and to reducing the role of government in the economy by deregulation and privatization. However, the intent was overwhelmed by the financial and human stress that developed in Canadian agriculture in the 1980s with the emergence of market imbalances, the lowering of loan rates under the 1985 U.S. Food Security Act, and the US-EC subsidy war in grains and oilseeds. New ad hoc assistance programs for the crops sector and massive pay-outs from the existing safety net programs were the response. The result is that a government that wished to reduce spending on farm programs was forced to raise direct expenditures to record levels.

Canadian thoughts on agricultural policy focused on the international arena following these crises. National diplomacy since 1986 has sought the creation of a multilateral accord to halt the escalation of the agricultural trade war, initiate a roll-back of competitive subsidies, and lead eventually to fundamental global agricultural policy and trade reform. These goals have been vigorously pursued in the Economic Summits, the OECD and the GATT, and through membership in the Cairns Group. Canada acknowledges that under such an accord its domestic programs will have to meet the test of international acceptability.

Policy Provisions

Canada uses most known policy instruments in support of its agricultural industry, and these include both domestic subsidies and market controls and also restrictive trade arrangements. Four prominent features of Canada's farm and food policies are: (1) market-oriented objectives and systems coexist with highly developed forms of economic regulation; (2) the trajectory of expenditures, income transfers, and policy support for agriculture in Canada in the 1980s has been upwards as Canada shielded its grain sector from the trade behavior of other countries; (3) responsibility for agricultural policy and programs is divided in Canada between federal and provincial levels of government, with the latter taking more responsibility; and (4) most of the trade arrangements that accompany Canada's commodity policies conform with the letter of the GATT. In terms of the instrumentation of Canada's farm policies, four tools are particularly well-developed: (a) extensive use is made of producers' marketing boards and crown corporations; (b) stabilization or safety net programs are in place for most commodities; (c) transport subsidies are an important source of assistance to Prairie grain producers; and (d) supply management is an effective and politically attractive but controversial policy option.

Consequences of the Policy

Producers. Canada's farmers have benefitted from a wide array of price and income support and stabilization programs. Trade liberalization would confer benefits on consumers and taxpayers and increase economic welfare in Canadian society, but it would impose economic losses on Canadian farmers as a whole, and especially on producers of particular agricultural commodities. The only major Canadian commodity groups that favor radical agricultural policy and trade reform are the producers of red meats, grains, and oilseeds. These groups see trade

as indispensable to their future development, and they would rather compete with foreign producers than with foreign treasuries.

Consumers. Canadian consumers have benefitted from Canada's agricultural policies through the availability of a secure supply of safe and nutritious food products, but they have paid higher prices for dairy and poultry products for which supply and trade controls are in effect.

Taxpayers. Agricultural assistance programs in Canada have placed a large burden on taxpayers, though it is noteworthy that Canada has few agricultural programs in which the word "subsidy" figures in the title!

Trade. Merchandise trade accounts for nearly 30 percent of Canadian GNP, while half of farm cash receipts come from exports of food and agricultural products. The United States is Canada's largest and most diverse trading partner, and the Canada-US Free Trade Agreement is aimed at securing access to the US market. With the rising budget problems attending the present level of government assistance, increased trade through multilateral trade desubsidization and liberalization is seen as essential to Canada's agricultural development.

Future Policy Prospects

Canada is clearly ready to make changes in its agricultural and food trade policies. Domestic reforms are in prospect that would make agriculture more market-oriented and responsive and less a ward of the state. The substantial trade dimensions of the Canadian agrifood system emphasize both its growing dependence on improved and assured access to world markets and the unendurable economic costs to Canada of contending farm programs and undisciplined trade practices in the international arena. The comparative advantage of Canada's agrifood system can best be expressed through concerted global reforms in agricultural and trade policies. Great hopes are pinned upon substantial progress being made on agricultural issues in the Uruguay Round of GATT negotiations.

JAPAN: RATIONALE AND FUTURE OF THE AGRICULTURAL POLICY

Masayoshi Honma and Yujiro Haymi[1]

Rationale for Japanese Policy

Among the industrial countries, Japan's agricultural protection is unique relative to that sector's trade and production. In recent years, the level of Japan's agricultural protection has been one of the highest in the world. Yet, in terms of its level of food self-sufficiency, Japan is one of the largest food importers and the most open to agricultural trade. Here, it differs from most other industrial countries that have high levels of food self-sufficiency and protectionist policies.

This uniqueness resulted from economic growth patterns following recovery from World War II. Agriculture's loss of comparative advantage compared to industry paralleled a rise in income and rapid increases in the demand for high valued foodstuffs, such as meat and milk. The result was sharp increases in food and feed imports, creating a demand for agricultural protection. This rapid change in agriculture precipitated a serious intersectoral adjustment, reallocating agricultural resources to industry. Leading farmers, in turn, lobbied for protection to shift adjustment costs, such as rural depopulation and rural-urban income disparity, to the general public. Japan preferred to trade the cost of agricultural protection for the cost of intersectoral adjustment.

However, with a huge amount of trade surplus, Japan now faces a sharp conflict between internal resistance against and the external pressure for agricultural trade liberalization.

Historical Development

Japan's agricultural policies are based on the Food Control Law of 1942 and the Agricultural Basic Law of 1961. The Food Control Law was initially a response to the severe food shortage of wartime. As the food supply recovered, most food items were lifted from direct government control. Since wheat and barley were shifted from direct to indirect control in 1952, rice alone remains under direct control.

In rice marketing, only agents designated by the Food Agency within the Ministry of Agriculture, Forestry, and Fisheries may participate, and prices are regulated from the farm gate to the wholesale level. The high support price stimulated production beyond domestic consumption. This resulted in surplus rice in government storage, making inevitable the adoption of an acreage control program in 1969, now almost one third of the total paddyfields in Japan.

The Agricultural Basic Law of 1961 focused on the widening rural-urban income gap during the postwar

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recovery. The government's responsibility was to raise agricultural productivity by fostering viable-size family units, and thereby, close the income gap between farm and nonfarm people.

Despite the effort for structural adjustment, agricultural productivity growth was insufficient to close that income gap. Farmers reacted by organizing political coalitions to lobby for protection by government intervention into agricultural product and input markets. When farmer's increasing demand for protection coincided with decreasing resistance of the nonfarm population, Japan's agricultural protectionism rapidly rose in recent decades. The nominal rates of protection for Japan is exceeded among industrial countries only by Korea and Switzerland.

Policy Provisions

Japan's agricultural policy is mainly to protect agriculture with provisions: (1) to support farmer's income; (2) to preserve the rural sector; (3) to promote the rationalization and modernization of Japanese agriculture; and (4) to preserve a high level of food self-sufficiency.

Major instruments of agricultural protectionism include strong import quotas, trade monopolies by governmental or semigovernmental agencies, border protection, direct supports for farm product prices, and subsidies for production inputs. Of 22 agricultural and marine products subject to import quotas, ten were recently invalidated by a GATT panel, which Japan accepted, and quotas on beef and oranges also will be removed by 1991. The EC-type variable levies for grains are not commonly used, but a somewhat similar system is used for pork, sugar, and milk.

The largest program under the Food Control Law applies to rice, where the price is determined by a formula called "the Production Cost and Income Compensation Formula," based upon a valuation of farm labor by non-farm wages. Currently, the price of rice is not only far above the world price, but also above the market equilibrium price under self-sufficiency. The "Price Stabilization Programs" for meat, dairy products, and milk involve buffer stock operations to support domestic wholesale prices. Deficiency payments apply to a limited number of products, such as soybeans, rapeseeds, and milk for processing. These price programs are financed jointly by import levies and the national budget.

Much subsidization also exists for various agricultural development programs. Recently, subsidies have financed 40 percent of the agricultural capital formation, especially the investment in land infrastructure. In addition, Japan's tax policies tend to favor farmers.

Consequences of the Policy

Producers. Farmers and rural communities are clearly beneficiaries of Japan's agricultural policies. Farm family incomes and product prices are higher, more of the market is supplied domestically, and input costs are lower as a result. Japanese agriculture is undergoing necessary economic adjustments, but the policies smooth the transition and soften the adverse economic impacts.

Consumers. Japanese consumers have clearly borne the major burden of

the agricultural policies through higher food prices and restricted supplies. Yet, they have benefitted from a degree of food security through larger domestic supply. Also, the adverse economic impact on consumers has been mitigated partially by the rising income associated with the nation's rapid economic growth.

Taxpayers. Japanese taxpayers have clearly shared in the burden of the agricultural policies through the assorted price and input subsidies. The estimated total costs to both taxpayers and consumers in Japan is similar to the U.S. but considerably less than that of the EC. However, given the smaller size of Japan's agricultural sector, the cost is much higher than in other OECD countries.

Trade. Japan's agricultural trade, although among the largest in the world, is still restrained by its agricultural policies. Reduction of Japan's protectionist policies would result in a greater volume of farm products at higher total value being imported, particularly grains, livestock products, and fruits.

Future Policy Prospects

It is vital for the survival of Japanese agriculture to reduce the prices of domestic agricultural products. Policies are needed to speed structural adjustment along with liberalization in both the domestic and international trade.

Agricultural protectionism in Japan is related to the productivity and income of its farm labor. The chief restraint on that productivity is the small size of farms that has changed only slowly during recent rapid economic development, partly due to the spread of part time farming. However, reductions to barriers to farm size expansion, fewer farms as aged people retire from farming, and large-scale farm mechanization will permit restructuring and viability under an open trade system.

Indeed, Japanese agriculture is now at a crossroads. Economic conditions are favorable to restructure farming as a viable sector, but the political support of the nation-wide cooperative (NOKYO), the Ministry of Agriculture, and the ruling Liberal Democratic Party will be critical. Furthermore, the probability that political conditions will lead Japanese agriculture to progressive decay under the crossfire of international criticism remains large.

BRAZIL: RATIONALE AND FUTURE OF THE AGRICULTURAL POLICY

Antonio Salazar P. Brandao[1]

Rationale for Brazilian Policy

Brazil's agricultural policy is conditioned by macroeconomic events. This influence is stronger than in most countries, because of the importance of agriculture in the economy, the dominance of its agricultural exports, and decisions to transfer assets and income from agriculture to enhance the growth of the industrial sector. Underlying macro-policies have been persistent high rates of inflation caused basically by budget deficits unresolved due to political difficulties.

In the immediate post World War II period, agriculture was still the largest sector and responsible for more than 80% of all exports. Since then, the relative role of agriculture has declined. Repeated mini-devaluations have benefitted agricultural exports, but many of the general economic policies have periodically adversely affected agricultural production, prices, incomes, and trade. Price, tax, and trade policies generally have been oriented towards expansion of exports of manufactured goods at the expense of agriculture. Thus, Brazil's initial policy toward agriculture, largely a by-product of investment in infrastructure, especially roads, recently has become primarily an adjunct to industrial policy.

Historical Development

Like many other Latin American countries, Brazil was severely affected by the world economic crisis of the 1930s. The disruption of international trade inflicted large losses on coffee exporters, the leading export at that time. In response, the government took measures to protect income in that sector.

Brazil adopted an import-substitution industrialization policy that defined the strategy for agricultural development. Industry was to be the leading sector favored by both price and investment policies. Agriculture, the main export sector, had to generate foreign exchange to finance purchases of the imported goods necessary for industrial development. Thus, export taxes were imposed on agricultural commodities (mainly coffee) and exchange rate policy was conducted to give the appropriate incentives to industry.

Agriculture also was responsible for the supply of cheap food and raw materials for the urban centers. This led the government to pursue a strict policy of price controls to prevent increases in the cost of living for the urban populations. Quantitative controls of exports and imports of food crops were and still are utilized for that purpose.

The large volume of investment in the infrastructure during the 1950s and early 1960s made possible a satisfactory agricultural growth

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rate, leading to the expansion of planted areas in the southern part of the country. Nevertheless, up until the end of the 1960s, there was no explicit agricultural policy in Brazil, in the sense of a set of policy instruments utilized consistently over time to facilitate growth of production and income. Since then, agricultural policy has been a by-product of macro-policy; yet, growth in agricultural production has been quite satisfactory, especially for export-oriented crops.

Policy Provisions

Even though the focus of Brazil's agricultural policy since the mid-1960s shifted from marketing infrastructure to direct incentives for agricultural production, concerns with cheap food and raw materials for urban centers have remained.

Brazil uses several policy instruments in support of its agriculture. The minimum price policy consists of setting minimum guaranteed prices for major commodities. The government stands ready to purchase any quantity at that price. Besides acquisitions, it also provides marketing credit, usually at concessionary interest rates. Since the major agricultural commodities depend on the export market, the government controls agricultural trade, export taxes, and pricing policies to extract capital from the farming sector and to protect urban food consumers.

Brazil's foreign debt problem became more serious in the early 1980s, which led to a reduction of cheap official credit to agriculture. During the 1980s, the minimum price policy has assumed a predominant role in agricultural policy and, in practice, has been transformed into a price support program. Together with the minimum price policy, rural credit at negative real interest rates has been a fundamental instrument of agricultural policy. Other agricultural incentive schemes such as fiscal incentives for investments and explicit fertilizer subsidies also have been used. While it may appear that Brazil has a set of policies to promote agricultural production and growth, in practice the situation is different. The government has many policy goals, for example, to avoid consumer price increases, to generate foreign exchange, to protect industry, and to maintain producers' incomes. Policy instruments can be easily changed during the year, and often are. Because the export taxes fall heavily on agriculture, credit subsidies are intended to compensate, but they favor larger producers. Brazil also follows a food subsidy policy for urban consumers, involving several different programs which now total almost 2% of the total federal budget.

Consequences of the Policy

Producers. Brazil's agricultural policy provides less direct support to farmers than most other trading nations. Investment policies generally favor larger producers. Policies are very unstable and interfere with allocative and marketing decisions. Producers are becoming organized politically and exhibit a growing sentiment toward trade liberalization.

Consumers. The agricultural pricing and export policies generally favor consumers. Some lower-income and disadvantaged groups are assisted through various nutrition programs.

Taxpayers. While the food subsidy policies are a substantial treasury burden, the net effect of the agricultural pricing and export taxing policies is a relief to taxpayers generally. In essence, the agricultural sector transfers income and wealth to the rest of the economy.

Trade. Trade policy for agricultural goods affects consumer prices, producer prices and income, industrial protection, and foreign exchange through the instruments of export taxes, import tariffs, and quantitative restrictions on exports. Both agricultural exports and imports are likely curtailed by the complex web of changing trade policies.

Future Policy Prospects

The best way to summarize Brazil's agricultural policy is instability. The observed pattern of government intervention has not only distorted the allocation of resources in a perverse way, but also has delayed institutional developments. It is fundamental that agricultural legislation eliminate the infinite flexibility that government officials presently have to change taxes, impose export restrictions, decide on tariff levels, and to dispose of government stocks.

Future prospects for an effective and sustainable liberalization of agricultural trade are unclear. Much will depend on the direction of the balance of political power. Producers and some segments of the executive branch tend to favor a change toward less government intervention in agriculture. However, the agro-industry sector is an important and powerful partner whose interests may not be the same. The world liberalization wave will certainly affect Brazil, at least indirectly.

FOOD POLICY IN EGYPT: PAST EXPERIENCES AND NEW DIRECTIONS

by Mohammed F. Sharaf and Carter Price[1]

Introduction

Policy revisions initiated in 1986 offer the promise of providing economic reform, improved efficiency, and better income for all of Egypt, but especially its agricultural sector. The innovations are intended to reverse the programs developed between 1952 and 1985 which resulted in disinvestment in the agricultural sector. Profits from domestic farm production were siphoned off for transfer to the public sector in the form of food subsidies.

The new market-oriented programs could start Egypt on the path to economic transformation. The provisions are comparatively straight forward and well tried. That is, farmers will be given relative freedom to plant what they deem best and to sell their crops at unregulated prices. Also, the government will not interfere with those who want to sell services to farmers except where regulations are necessary to insure food safety.

Between 1952 and 1985, Egypt's governmental policy was to control prices on domestically produced agricultural commodities. As a result, the approach to the agricultural sector was a patchwork of programs. Egyptian farmers were forced to sell at prices below the market value and to subsidize the public sector of the economy generally, and food consumers in particular. The policy was designed to achieve low food costs to consumers and to stimulate industrial development. While the goals were achieved, the result was an indirect tax which transferred part or all of the surplus revenue (profit) from farming to the other economic sectors. Output and efficiency in the agricultural sector were stagnant or declining as potential profits were translated into food subsidies.

Roots of Egypt's Past Policies: The Early Years

For more than 70 centuries, Egyptians lived by the flood of the Nile River. These floods brought new deposits of silt, annually replenishing the soil and providing moisture for crops in an otherwise desert environment.

In 1902, the first Aswan Dam was constructed to store some of the flood water to facilitate navigation and agricultural irrigation. While tending to minimize silt deposits, the ensuing developments extended the land suitable for cash crops. The height of this dam was raised in 1912 and 1934, mainly to bring additional increases in potential agricultural revenue. The Aswan High Dam which opened in 1970 was constructed at a site 5 miles south (upstream) from the original dam.

Almost from the beginning, Egyptian agriculture has been characterized by a relatively few landowners controlling large shares of the productive space. It was estimated that, in the years immediately before 1952, only 5000 or 0.2 percent of the 2.8 million farmland owners controlled 27 percent of the

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6 million feddans (FD = 1.038 acre) in the cultivated area. It was reported that the royal family of King Faruq who ruled from 1937 to 1952 controlled more than 250,000 feddans (FD) and that 75 percent of the cultivated land was on farms run by tenants. Thus, landlords were absentee and were seldom directly involved with agricultural production. In this situation the tenancy of farm workers was insecure.

Modernization of Egyptian agriculture had been initiated under Muhammad Ali who ruled 1805-1848. However, developments in improving crop varieties and farming practices were not continued on an organized basis by successors to the throne in his dynasty which continued until 1952. The British who were established in de facto, if indirect, control in 1882 did sponsor the regulation of the flow of water in the Nile. However, the advance was limited almost entirely to navigation and irrigation technology. While some agricultural innovations may have been demonstrated on the farms of the royal family and other large estates, coordinated research and dissemination efforts were not accelerated to an acceptable level until the Agrarian Reform of 1952.

<u>Food Policy, Population Trends and the General Economy 1952 to 1985</u>

After a revolution in 1952, in which Gamal Abdul Nasser seized power, Egypt began operating as a centrally planned economy. Changes were initiated to introduce socialism into the structure of the society and the economy. Sweeping land reforms were among the first actions of the new regime. To break the power of the wealthy landlord (capitalist) class, land holdings were limited to 200 FD for the individual. Initially this was popular, with the distribution of relatively small parcels to the farm workers. However, due to reforms in 1960 and 1965, maximum holdings were reduced to 100 FD per family, and a growing proportion of the land was placed in the state farm system for production purposes.

Although a conscious policy of industrialization was followed, the country remained essentially an agrarian one. The manufacturing sector which resulted from the industrial drive proved to be non-competitive and failed to absorb sufficient labor migrating from the rural areas. Taxes from the surplus in the agricultural sector were used to form the basic financing for industrial development.

Increasing industrialization in Egypt was closely related to agricultural policy during this period. Both called for procuring domestic agricultural produce at prices substantially lower than those on the world market. Meanwhile, life in the urban areas seemed to promise relatively cheap food, improved health care, and at least a few available jobs to farm workers. Migration from the countryside accelerated as government pricing policies for agricultural products kept farm wages low, pushing people off the land. For the farmer the only option to urban migration was working in tedious daytime conditions and retiring at sunset. In this situation, the urban population of Egypt expanded rapidly. The 30 percent of the population living in urban areas in 1947 had increased to 44 percent by 1976. Projecting this trend, it has been estimated that the proportion swelled to more than 50 percent by 1986.

Government subsidies were used to keep the cities politically stable through inexpensive food, rent controls, better paying jobs, and more modern living facilities. The cost of all food subsidies alone was estimated to be LE 1.689 billion in the 1980-81 fiscal year according to data from the files of Office of Minister of Finance, A.R.E., Cairo. [Egyptian pound (LE) 2.60 = US$1 currently]. This amounted to 53 percent of gross farm sales (LE 3.186 billion) and 8.7 percent of gross national product (LE 19.354 billion) during this period.

Distortions continued in the Egyptian economy because the cheap food policies led to an expanding demand for food from the urban population. Price controls placed restrictions on agricultural incentives and profits while inducing reductions in the quantities produced by a dwindling number of farmers. The amount of direct public expenditures required became unmanageable as urban areas depended more heavily on subsidized and imported food. The subsidies or ration cards were originally intended to provide urban consumers with imported food at affordable prices. However, the commodities included were expanded beyond staples to a substantial number of superior goods.

The subsidy program provided food to all urban dwellers irrespective of need. Instead of targeting only the poor and reducing the subsidized commodities to the necessary staples, the list increased to include many meat and dairy products. In this way, there was a promotion of urban population growth in Egypt.

Impact on Agricultural Sector

The magnitude of resource transfers imply a long run taxation of agricultural export crops at approximately 30 percent of their value. The agricultural programs required growers to plant specified areas of strategic crops such as wheat, corn, and rice. Control of growers was exercised through government operated organizations called "cooperatives" where records of planted areas and yields were maintained. Also, these so called "coops" rationed the subsidized fertilizers and pesticides, in addition to coordinating delivery of each farmer's quota of production which was required to be sold to the government.

Government policy required that prices lower than the world markets would be paid to Egyptian farmers for the portion of their output delivered to the government. During the period 1973 to 1976, world prices rose dramatically while Egypt's administrators kept prices paid for quota delivery at a constant level. The resulting taxation extended to all products except meat, with tax rates rising as high as 60 percent, 80 percent, and 60 percent respectively for cotton, rice, and onions.

Also, Egypt's agricultural development strategy included uncoordinated market interventions in addition to land reform, physical controls, and state farm production. Planning in this area was based on an implicit assumption that product prices did not matter. The underlying reasoning was: (1) offsetting measures like consumer subsidies can be used to correct income imbalances; (2) non-price controls can be applied to restrict resource reallocation that would occur in response to price signals; and (3) direct state investment can

divert resources to projects regardless of market signals about profit expectations.

Income effects from government price management proved to be disastrous for Egyptian agriculture. Tax inequities among crops prevailed within the sector and the combination of taxes and reduced incomes diminished the relatively small surplus that would be available for reinvestment. Estimates were made in 1974-75 of the value of transfers from the producers of major crops to urban consumers (Table 1). More recently, 1982 estimates show the relationship between returns using average prices actually paid to Egyptian farmers and international prices (Table 2). These data illustrate the support of the agricultural sector for both the urban consumers and the government. Comparisons between the observations cannot be made directly because the first includes a relative or percentage measure while the second is in units of Egyptian pounds (LE). Nevertheless, the size and negative direction of the terms of trade against the agricultural sector were clear.

Egypt's New Directions for Food Policy--1986

New policy initiatives are based on an economic reform philosophy. The key to the change in food policy was encouraging producers to produce more and placing price differentiation between products and qualities as the basis for consumption patterns. Measures to achieve this policy include: (1) eliminating acreage restrictions[2]; (2) eliminating price controls[2]; (3) eliminating government procurement or forced delivery of farm products[2]; and (4) elimination of input subsidies gradually.

These programs are to be enforced for all crops other than cotton, sugar cane, and rice. At the same time these policies were introduced, the government announced a floor price for each crop. This will be continued annually with announcements early in the season. If the farmer chooses to plant a crop but at harvest does not find a good price in the market, it can be sold to the government at this floor price. Subsidies on farm supplies and requisites and on the final products for consumers are being cancelled gradually.

Egypt's domestic price patterns completely changed in 1987. The new policy applies not only to agriculture but also to all sectors of the economy. Consumers now feel the differences in prices and are all complaining of high costs of living.
In the transition from government controlled food prices, products are being separated and priced by gradients in quality. For example in 1985, rice was sold for 7 piasters/kg (100 piasters = LE 1) and average total consumption was increasing annually by about 44,000 tons. Imports were also increasing rapidly. Now food subsidies are limited with each individual entitled to 1 kg of rice per month at 14 piasters. More "Philippini" rice can be bought at 50 piasters kg and/or Japonica variety rice at 80 piasters kg. This is one example of product differentiation

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[2]Exceptions are cotton, sugarcane, and rice. Cotton is Egypt's foremost export crop. Sugarcane is a processing raw material needed to operate existing sugar mills. Rice is both an important domestic food and an export crop.

and pricing by desirability and quality. Hence total consumption of rice is increasing annually only at a rate of about 14,000 tons.

Policy Review, Contrast and Analysis

The Government of the Republic of Egypt has been dealing with the challenges of agricultural production in an economy that is in a developing stage. The difference between development within or between stages has created dilemmas in Egypt. The government has been attempting to increase the farm sector productivity within a stage as a developing economy while simultaneously seeking to advance the manufacturing sector between stages, from developing to developed. However, in Egypt, as in all nations, there must be a recognition that only limited means are available. Policies must find a balance between growth and development. Decisions may be inviting disaster in allocating a disproportionate share of economic resources to either: (1) growth (within a stage) or (2) development (between stages). National leadership must build flexibility to change implementation and/or policies when necessary.

Before 1986, economic planning in Egypt did not seem to identify the continuing need for growth of agriculture within the developing stage. Instead it appeared that the only goals chosen for emphasis were those related to development for the urban manufacturing/industrial sector into a more advanced economic stage. The result has been a non-competitive, less than fully developed stage in the manufacturing sector. In balancing the policy choices, improper weight was given to growth in the agricultural sector.

The newly initiated policies in Egypt seem to give attention to the producer incentives needed to justify adopting new farm technology. Increases in food production should arise from an efficient profit- oriented base to provide both a rising level of national output and an improving level of satisfaction for domestic consumers. If the new policies are successful, the results will not only affect the Egyptian agricultural sector and economy, in general, but also produce important impacts for the entire trading world.

Table 1. Consumer and Producer Transfers on Major Crops, Egypt, 1974-75 (in LE million at parallel exchange rates)

Crop	Transfer from Producers	Transfer to Consumers	Transfer to State
	------------LE 1,000,000------------		
Rice	-562	+518	+ 44
Wheat	- 78	+334	-256
Cotton	-254	+122	+132
Sugar	-400	+ 40	+360
Corn	-120	+249	-129
Meat	+214	-242	+ 28
TOTAL	-1,200	+1,021	+179

Source: William Cuddihy, "Agricultural Price Management in Egypt," The World Bank, Staff Working Paper No. 388, April 1980.

Table 2. Comparison of Revenues and Net Returns per Feddan for Representative Crops in Egypt: 1982* Domestic and World Prices

	Cost/Feddan	Revenue per Feddan		Net Returns per Feddan		Revenue Gain
	Unsubsidized net input cost	Domestic	World	Domestic	World	At World Price
		------Price-------		-------Price------		
	--------------------LE----------------------------					Percent
Wheat	130.56	120.03	247.59	-10.53	117.03	106.3
Dry Beans	133.41	227.41	217.94	94.00	84.53	4.2
Cotton	317.59	389.76	464.75	72.17	147.16	19.2
Corn	173.33	233.18	396.62	59.85	223.29	70.1
Rice	205.51	309.95	845.13	104.44	639.62	172.7

*/ 1982 LE 0.82 = $1.00

Source: Data Files for 1982 Farmer's Costs and Returns, Agricultural Economics Research Institute, Ministry of Agriculture, A.R.E., Cairo.

AGRICULTURE IN THE GATT: AFTER THE MIDTERM REVIEW

by Charles E. Hanrahan[1]

The current round of multilateral trade negotiations (MTNs) has been under way since September 1986 when trade ministers, meeting in Punta del Este, Uruguay, launched an eighth round of MTNs under the General Agreement on Tariffs and Trade (GATT). Negotiators are seeking to liberalize world trade in agricultural products by bringing all measures affecting export competition and import access under strengthened and more effective GATT rules and disciplines and by harmonizing health and sanitary restrictions on agricultural imports. As in past GATT agricultural trade negotiations, the United States and the European Community (EC) are the dominant actors. In the current round, a group of other developed and developing country exporters (the Cairns Group of countries) have attempted to play a greater role.

Background to the Negotiations

During 1987 and early 1988, the major participants in the Uruguay Round made their initial proposals for dealing with the agricultural trade issues: agricultural subsidies, market access, and health and sanitary restrictions on trade.

The United States made the most comprehensive and sweeping proposal. Its main components were the complete elimination of all agricultural subsidies and import barriers over a 10-year period; the use of an aggregate measure of support as a basis for reducing support to agriculture to zero over the 10-year period; and country plans, agreed to during the negotiations, that would identify the scheduled reductions in subsidies and trade barriers. The EC proposal called for short-term actions to restrict support to products in surplus (grains, dairy, and sugar); for harmonization of contracting parties support measures; and for reductions over the long term in support.

The proposal by the Cairns Group (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Philippines, Thailand, and Uruguay) was viewed as a possible compromise between the U.S. and EC positions. It called for revising and strengthening GATT rules on agricultural trade; reducing the aggregate level of support to agriculture; and freezing, in the short term, all access barriers and subsidies.

Other countries submitted proposals as well. Canada, although a member of the Cairns Group, submitted a separate proposal that stressed the reduction of trade-distorting government support, not all subsidies. The Nordic countries (Finland, Iceland, Norway, and Sweden) advocated a minimum target for the negotiation of reductions in agricultural support and import protection, and the development of a quantitative measure that would cover policies significantly affecting trade. Japan's proposal recommended a freeze of present export subsidies; a phaseout of export subsidies over time; reductions in trade-distorting impacts of domestic subsidies; and

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negotiated improvements in market access.

The Midterm Review

A unique feature of the current round was the scheduling of a midterm review to assess progress in the negotiations and to reach "framework" agreements that would guide the remainder of the round. The U.S. notion of an "early harvest" of results in the agricultural negotiations at the midterm review was abandoned early in the round. The midterm review took place at a meeting of trade ministers in Montreal during December 5-9, 1988. During that meeting, however, the United States and the EC found themselves fundamentally at odds over the objectives of the negotiations in agriculture. The United States held strongly to the position that all trade distorting agricultural subsidies should be eliminated by an agreed upon future date, while the EC was no less insistent that such subsidies be substantially reduced over the long term.

Agriculture was one of four issues for which agreements could not be reached. The other three concerned trade in textiles, import safeguards, and intellectual property rights. Because of the impasse on agriculture and the other areas, specific agreements reached were put on hold for eleven other trade negotiating issue areas (Tariffs, Non-tariff Measures, Natural Resource-based Products, Tropical Products, GATT Articles, MTN Agreements and Arrangements, Subsidies and Countervailing Measures, Trade-related Investment Measures, Dispute Settlement, Functioning of the GATT System, and Trade in Services) were put on hold. The developing country members of the Cairns Group refused to accede to any agreements unless agriculture, textiles, safeguards and intellectual property rights were included.

Following Montreal, negotiations continued on an informal basis between the United States, the EC, and other parties with mediation provided by the Director General of the GATT. A framework agreement on agriculture was reached at meetings in Geneva April 5-8, 1989. It contains three components: (1) long-term elements and guidelines for reform; (2) short-term elements; and (3) provisions for harmonizing health and sanitary restrictions on imports.

Long-term Elements. The long-term objective of the negotiations is to provide for "substantial progressive reductions in agricultural support and protection" over the long run. All measures which directly or indirectly affect import access and export competition are to be put on the table for negotiations during the remainder of the round. Participants will receive credit for reforms implemented since the Punta del Este Declaration (September 1986) that contribute positively to achieving the long-term objective. Import access measures include quantitative and non-tariff access measures, including measures maintained under waivers, protocols or other exceptions. Support measures include internal income and price supports as well as direct export subsidies.

The long-term agreement essentially reaffirms commitments made at Punta del Este to bring agricultural trade under more effective and strengthened GATT rules and disciplines. It paves the way for negotiations to proceed, not only in agriculture but in other critical areas as well.

Trade negotiators established a workplan for conducting the negotiations over the next 20 months. Prior to December 1989, participants will advance detailed proposals for meeting their commitment to agricultural and trade policy reform. Implementation of the first tranche of agreed commitments on the long-term reform program begins in 1991.

Short-term Elements. For the short term (i.e., the 20 months prior to the scheduled conclusion of the Round), GATT member countries agree, within the scope of existing legislation and GATT rights and obligations, to hold domestic and export support and protection at or below the levels in 1989. Participants will allow import access in 1989 and 1990 at least at the average level of access in 1987 and 1988. By October 1989 participants will announce their plans for reducing support and protection levels for 1990.

The short-term agreement has been described as a good faith effort on the part of participants in the round to refrain from exacerbating trade tensions while negotiations on the long-term reform program proceed. Participants will continue to implement domestic and trade policies within the scope of existing legislation and with budget outlays that do not exceed the total level of support in 1989. The short-term agreement does not affect the flexibility of the United States in using acreage reduction programs (ARPs), the Export Enhancement Program (EEP), or marketing loans. Similarly, the operation of the EC's Common Agricultural Policy (CAP) with its variable levies and export restitutions is also unaffected by the short-term agreement.

Health and Sanitary Elements. GATT participants also endorsed, as a long-term goal, the concept of harmonizing national health and sanitary regulations applied to imports and agreed to submit proposals by December 1989 for harmonizing standards and for strengthening dispute settlement in this area. Standards should be based on scientific evidence and on the principle of equivalency.

Difficult Issues within the Agreed Framework

While the framework agreement represents a broad commitment to keep on negotiating, a number of difficult issues must now be taken up by participants. These include the use of an aggregate measure of support, specific policy measures, or both, as the basis for commitments to reduce agricultural support and protection; revising GATT rules and disciplines; adapting protection and support through tariffication, decoupling, or other ways; providing special and differential treatment to developing countries; and negotiating rules for regulating the use of health and sanitary restrictions on imports.

Aggregate Measures, Specific Policies, or Both. The long-term agreement calls for realizing the goal of substantial progressive reduction in support and protection through negotiations on specific policies and measures, through the negotiation of commitments on an aggregate measure of support (AMS), or through a combination of these approaches. Reaching agreement on the approach or combination of approaches will be difficult.

The most frequently mentioned candidate for use as an aggregate measure of support (AMS) is the

producer subsidy equivalent (PSE) which compares government support to agriculture across commodities and across countries. The PSE is calculated by combining all direct government payments to farmers with estimates of the subsidy paid to producers resulting from policies that support domestic farm prices and production.

The main advantages of the PSE are its comparability across countries and commodities and its wide acceptability to GATT member countries. Disagreement persists, however, on the policies and programs to be included in the measure. There also may be disagreement over the base period for which to calculate PSEs and from which to measure changes in levels of support. Furthermore there seems to be no precise relationship between PSEs and the degree of trade distortion. The PSE does not account adequately for large-country effects on world prices, exchange rate fluctuations, or input price distortions. Regular updating of PSEs would arguably have to become the responsibility of the GATT secretariat or some other international organization to obtain acceptable estimates that could be used in the MTNs.

Some participants in the Round, including the United States, question the use of the AMS because its all-inconclusiveness with respect to agricultural policies might enable countries to reduce aggregate levels of support without actually affecting particular trade-distorting policies. That is why some participants, such as Canada, have called for development of a measure that includes only identified trade-distorting policy measures in the AMS. On the other hand, the EC and some other participants have expressed a preference for using an aggregate measure of support over specific policy measures in part because it would enable them to claim credit for already having reduced aggregate levels of support in the process of making domestic agricultural policy reforms.

Revising GATT Rules. The framework agreement calls for strengthened and more operationally effective GATT rules and disciplines that would be equally applicable to all contracting parties. The rules and disciplines approach could be applied in three ways: (1) applying existing GATT rules such as the prohibition on the use of quantitative restrictions (Article XI) or export subsidies (Article XVI) to agricultural trade, (2) rewriting and strengthening GATT rules for dealing, for example, with dispute settlement or domestic policies that distort trade, and (3) clarifying existing rules and obligations under GATT. In the Tokyo Round (1973-79) this third approach took the form of negotiating codes of behavior or conduct to strengthen GATT rules. Applying existing GATT rules to agricultural trade implies that the United States and some other GATT members would have to give up existing waivers or exceptions to the GATT articles.

Adapting Protection and Support. The framework agreement specifically mentions two approaches -- tariffication and decoupling -- to adapting protection and support to help achieve long-term agricultural policy reform. Tariffication refers to the conversion of nontariff measures, such as quotas or variable levies, to tariffs. Under existing GATT rules, tariffs are the preferred method of import protection because they are "transparent," less restrictive,

and there are well-established negotiating methods for reducing them. Both the United States' Section 22 quotas and the EC's variable levies are candidates for tariffication. Decoupling refers to removing the link between production and receipt of benefits from farm price and income support programs. The United States and other participants in the round will advance detailed proposals by December 1989 for both tariffication and decoupling. It should be noted that the EC thinks that, under the terms of the framework agreement, it has GATT sanction for "rebalancing" protection, that is, raising protection on some commodities like oilseeds and corn gluten feeds while lowering protection on others such as grains, sugar or dairy. The United States has contested this interpretation.

Special and Differential Treatment for Developing Countries. Developing countries have been exempted from GATT requirements for reciprocity in trade. They receive some degree of preferential treatment for their exports from most developed country GATT members. However, the extent to which developing countries would be expected to participate in a GATT agreement to liberalize agricultural trade is an unresolved issue. Agricultural export groups in the United States have already expressed opposition to the part of the framework agreement which exempted developing country agricultural exporters, such as Argentina or Thailand, from the short-term freeze on levels of support and protection. This issue will be addressed in the work program over the next 16 months. The framework agreement also invites participants to submit proposals on ways to take account of the possible negative effects of the reform process on net food-importing developing countries.

Harmonizing Health and Sanitary Restrictions. The framework agreement spells out a work program to attain the goal of harmonizing national health and sanitary regulations. Major elements of the work program are to develop harmonization of such measures on the basis of standards established by such international organizations as the Codex Alimentarius Commission, the International Office of Epizootics, and the International Plant Protection Convention; to revise the GATT agreement so that health and sanitary measures are consistent with sound scientific evidence; and to improve GATT notification, consultation, and dispute settlement procedures for health and sanitary restrictions.

Outlook for the Negotiations

How the negotiations proceed over the remaining 16 months of the Uruguay Round depends on a number of factors. Conditions in world agricultural markets will affect the course of the negotiations. Low world grain production in 1989 and 1990, which would result in higher commodity prices and lower budget outlays for agricultural support, would reduce pressure on both the United States and the EC to seek agreement on reducing trade-distorting government subsidies to agriculture. Increases in world agricultural production in 1989 and 1990, however, would put pressure on both the United States and the EC to seek a negotiated settlement that would help to eliminate excess production capacity and reduce budget outlays.

U.S. and EC agricultural trade policy will also affect the negotiations. If the EC continues in its opposition to eliminating trade-distorting subsidies, and to spelling out just how it might remove or modify the trade-distorting features of the CAP, the United States could use 1985 farm bill authorities -- lower loan rates, export enhancement programs, marketing loans, targeted export assistance and other policies -- to pressure the EC at the bargaining table. Trade tensions between the United States and the EC could also be exacerbated by bilateral disputes, such as the current one over the EC's ban on imports of meat containing growth-promoting hormones. The EC could shift its attention from the Uruguay Round to issues involved in its ambitious 1992 economic integration effort. Thus it is unclear at this time what kind of agreement will emerge when the round is concluded in 1990.

Implications for Farm Policy

The next farm bill will not be written in Geneva as feared by some in the agricultural policy community. However, if Uruguay Round negotiators make good on their commitment to substantial progressive reduction in agricultural support and protection, then significant changes in existing laws governing U.S. agricultural policies and programs would be required over the long run. In addition to price and income supports, export subsidies, and measures to protect against imports, a broad array of farm programs could become candidates for reduction or elimination. Policies such as food aid, subsidized crop insurance, concessional farm credit, marketing programs, research and extension programs, and education might need to be scrutinized for their effects on agricultural trade. Of course, these policies are already under review as the Congress deals with the impact of agricultural programs on the federal budget and begins debate on the next farm bill.

The 1990 farm bill, however, is unlikely to be the vehicle for making legislative changes that might result from the Uruguay Round. That is not to say that House and Senate Agriculture Committees won't be keeping an eye on what is happening in Geneva over the next 16 months. In fact, the 1988 trade bill which authorizes U.S. participation in the Uruguay Round also includes requirements for regular consultation with Congress on the ongoing negotiations. Since the round is scheduled to conclude at the end of 1990, it is likely that legislation to implement any agreements reached during the negotiations would be introduced in 1991. While legislation to implement agricultural trade agreements reached in Geneva will be handled on a "fast track" basis (limited debate, no amendments, and a vote up or down), farm and food policy changes will be phased in over the long run.

The difficulties in reaching an agreement on the objectives for the agricultural negotiations during the midterm review presage how difficult it may be, over the remaining 16 months of the Uruguay Round, for GATT member countries to negotiate the details of liberalization in world agricultural trade. The process of agricultural policy reform in both the United States and the EC is, however, likely to continue, its pace perhaps accelerated somewhat by trade agreements reached during the Uruguay Round.

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SUMMARY OF A NATIONAL WORKSHOP OF THE INTERNATIONAL AGRICULTURAL TRADE RESEARCH CONSORTIUM

by John C. Dunmore

Preliminary research results from the USDA Economic Research Service offer some interesting insight into the trading environment surrounding the current talks on agricultural trade liberalization ongoing under the General Agreement on Tariffs and Trade (GATT). These studies, although tentative and subject to revision, investigate the key economic relationships and effects of a general liberalization of trade in the wider economic context that underpins more specific proposals being tabled in the GATT negotiations. The following highlights cover findings about world trade and prices; producer support, income and production; and overall economic welfare concerns, although modeling limitations and simplifying assumptions may preclude hard-and-fast consensus about particular proposals.

Initial results from five such studies indicate that, overall, elimination of farm supports by the industrial market economies (comprised of Australia, Canada, the EC, Japan, New Zealand, Other Western Europe, and the United States) would lead to a strengthening of world prices and an increase in trade volumes. The changes in world prices and trade volumes would be closely related to the current levels of distortion in commodity markets. A general improvement in the U.S. agricultural trade balance would be likely, while the European Community and Japan would face considerably larger agricultural trade deficits. However, all three areas would benefit from net economic gains following multilateral liberalization.

For all these studies, the use of 1986 data--although the most recent--may indicate that adjustment costs and benefits would be greater under more current market conditions because of that year's uncharacteristically high level of farm support.

<u>World Trade and Prices</u>

Looking at agricultural markets globally, agricultural trade for most commodities would expand if industrial market economies were to liberalize their trade simultaneously. The largest increases would be in rice and sugar trade. World wheat trade would decline modestly because of the elimination of export subsidies. The United States would improve its agricultural trade balance, most of the improvement coming from lower beef import costs as well as increases in grain export revenues following rising world prices. The EC and Japan would face considerably larger deficits in their agricultural balance of trade.

Developing countries on the whole would realize nearly $6 billion in lower import costs following liberalization by the industrial economies. If developing countries liberalized as well, their agricultural trade balances would improve by $15-16 billion. Latin American countries could expand net foreign sales by over $10 billion with global liberalization, while Asian developing countries could increase net sales by over $5 billion.

Considering world prices, a strong correlation is seen between the

level of support and the expected increase in world prices that would result from full liberalization. Elimination of all subsidies to agriculture in industrial market economies under 1986/87 market conditions would drive up world prices for most commodities. The price rises would be greatest for dairy products, followed by sugar, wheat, and rice. Ruminant meat prices would also increase moderately. Increases in world prices would be much higher under 1986/87 market conditions than under 1984/85 conditions. The relative price increases in 1986/87 would be especially large for wheat, coarse grains, and rice.

The greatest contribution to world price change comes from the EC and the United States. The most visible price effects of EC policies are on dairy, wheat and ruminant meat markets, while U.S. policies have the most impact on the world sugar price. Despite high levels of agricultural assistance in Japan, its policies have little influence on international prices because Japan is not a major participant in world agricultural markets. The rice market is the sole exception, where Japanese policies have a greater impact on the world rice price than the combined effects of all other industrial countries.

Producer support, income and production

Ranking producer support, Japan supports its producers the most, followed by Western European countries outside the EC, the EC, Canada, and the United States. Australia and New Zealand have the lowest levels of assistance to agricultural producers.

The distribution of the cost of producer support between consumer and taxpayer varies widely among countries. Whereas policies that raise consumer prices provide the bulk of EC and Japanese support, support policies in the United States, Canada, Australia, and New Zealand are funded more by government payments that leave consumer prices lower. Also, while rankings of overall support vary little across countries between 1984/85 and 1986/87 crop years, the mix of support within countries can vary substantially. For example, the support to grains relative to livestock producers rose greatly between 1984/85 and 1986/87 in both the United States and the EC.

Considering domestic production and incomes, the value of agricultural production is expected to increase in many industrial countries under multilateral liberalization. However, world price increases would be insufficient to offset the loss of government support. Farm sector incomes are likely to fall between $5 and $25 billion in the United States, Canada, EC, and Japan, under multilateral trade liberalization unless compensated through decoupled support payments. Elimination of government assistance to producers would account for most of this decline in the United States, whereas rice producers in Japan, and ruminant meat producers in the EC, would account for most of the loss in those countries.

In the United States, crop producers would earn more from the marketplace under trade liberalization. The national value of crop production would increase by $4 billion and variable costs would rise by $1 billion, but loss of government payments of $15 billion would more than offset the gain in production value. U.S. livestock producers net $3 billion in higher returns. Growth in

livestock demand under trade liberalization would raise production value by $7 billion through price and quantity increases, but would be partially offset by a $4 billion rise in variable costs.

The estimated loss in net returns due to elimination of government transfers would be lower if a more recent base year were used for comparison. Direct payments to U.S. producers have declined from their record high levels of the 1986-87 base used. Regions which have the lowest proportion of government payments to agricultural net returns will lose the least when such payments are removed. Beyond that, regions do better the more efficient they are or the more they specialize in products that experience demand increases arising from trade liberalization.

Economic Welfare

A major benefit of trade liberalization is that removal of subsidies leads to efficiency gains for the economy as a whole. Multilateral liberalization would generate income gains of about $6 billion for Japan, $9 billion for the United States, and $12 billion for the EC. On a per capita basis, New Zealand would gain the most.

Welfare implications for developing countries are rather complex. A broadly based liberalization of world agricultural trade is in the interest of the developing countries--a $6-7 billion net welfare turnaround for developing countries is achieved when they participate with industrial economies in liberalizing trade. While developing exporters like Argentina and Brazil would benefit from rising world prices, some developing countries that are large net food importers are likely to face substantial short-run adjustments.

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COMMODITY PROGRAM UPDATE

BY HARRY S. BAUMES AND RICHARD L. SHELTON*

Commodity	1985	1986	1987	1988	1989	1990
Wheat						
Target price ($ per bu.)	4.38	4.38	4.38	4.23	4.10	4.00
Loan rate ($ per bu.)	3.30	2.40	2.28	2.21	2.06	1.95
Acreage reduction (percent)	20	22.5	27.5	27.5	10	5
Paid land diversion (percent) 1/	10	5-10/2.5	--	--	--	--
Paid land diversion payment rate ($ per bu.)	2.70	2.00/1.10	--	--	--	--
National base acreage (mil.)	94.0	91.6	87.6	84.8	82.4	N.R.
Corn						
Target price ($ per bu.)	3.03	3.03	3.03	2.93	2.84	N.R.
Loan rate ($ per bu.)	2.55	1.92	1.82	1.77	1.65	N.R.
Acreage reduction (percent)	10	17.5	20	20	10	N.R.
Paid land diversion (percent) 2/	--	2.5	15	10	--	N.R.
Paid land diversion payment rate ($ per bu.)	--	0.73	2.00	1.75	--	N.R.
National base acreage (mil.)	84.2	81.7	81.5	82.9	82.8	N.R.
Grain Sorghum						
Target price ($ per bu.)	2.88	2.88	2.88	2.78	2.70	N.R.
Loan rate ($ per bu.)	2.42	1.82	1.74	1.68	1.57	N.R.
Acreage reduction (percent)	10	17.5	20	20	10	N.R.
Paid land diversion (percent) 2/	--	2.5	15	10	--	N.R.
Paid land diversion payment rate ($ per bu.)	--	0.65	1.9	1.65	--	N.R.
National base acreage (mil.)	19.3	19.0	17.4	16.8	16.3	N.R.
Barley						
Target price ($ per bu.)	2.60	2.60	2.60	2.51	2.43	N.R.
Loan rate ($ per bu.)	2.08	1.56	1.49	1.44	1.34	N.R.
Acreage reduction (percent)	10	17.5	20	20	10	N.R.
Paid land diversion (percent) 2/	--	2.5	15	10	--	N.R.
Paid land diversion payment rate ($ per bu.)	--	0.57	1.60	1.40	--	N.R.
National base acreage (mil.)	13.3	12.4	12.5	12.5	12.4	N.R.
Oats						
Target price ($ per bu.)	1.60	1.60	1.60	1.55	1.50	N.R.
Loan rate ($ per bu.)	1.31	0.99	0.94	0.90	0.85	N.R.
Acreage reduction (percent)	10	17.5	20	5	5	N.R.
Paid land diversion (percent) 2/	--	2.5	15	--	--	N.R.
Paid land diversion payment rate ($ per bu.)	--	--	--	--	--	N.R.
National base acreage (mil.)	9.4	9.5	8.4	7.9	7.6	N.R.

Commodity	1985	1986	1987	1988	1989	1990
Rye						
Loan rate ($ per bu.)	2.17	1.63	1.55	1.50	1.40	N.R.
Soybeans						
Loan rate ($ per bu.)	5.02	4.77	4.77	4.77	4.53	N.R.
Peanuts						
Loan rate, quota ($ per ton)	559	607.47	607.47	615.27	615.80	N.R.
Loan rate, non-quota ($ per ton)	148	149.75	149.75	149.75	149.80	N.R.
Marketing poundage quota (1,000 tons)	1,100	1,355.5	1,355.5	1,402.0	1,440.0	N.R.
Upland Cotton						
Target price (cents per lb.)	81.0	81.0	79.4	75.9	73.4	N.R.
Loan rate (cents per lb.)	57.3	55.0	52.25	51.8	50.0	N.R.
Acreage reduction (percent)	20	25	25	12.5	25	N.R.
Paid land diversion (percent)	10	--	--	--	--	N.R.
Paid land diversion payment rate ($ per bu.)	30	--	--	--	--	N.R.
National base acreage (mil.)	15.8	15.5	14.5	14.5	14.7	N.R.
Extra Long Staple (ELS) Cotton						
Target price (cents per lb.)	103.14	102.48	97.7	95.7	96.7	N.R.
Loan rate (cents per lb.)	85.95	84.50	81.4	80.9	81.8	N.R.
Acreage reduction (percent)	10	10	15.0	10	5	N.R.
National base acreage (thous.)	66.0	77.7	85.9	105.0	119.0	N.R.
Rice						
Target price ($ per cwt)	11.90	11.90	11.66	11.15	10.80	N.R.
Loan rate (cents per lb.)	8.00	7.20	6.84	6.63	6.50	N.R.
Acreage reduction (percent)	20	35	35	25	25	N.R.
Paid land diversion (percent)	15	--	--	--	--	N.R.
Paid land diversion payment rate ($ per bu.)	3.50	--	--	--	--	N.R.
National base acreage (mil.)	4.2	4.2	4.2	4.2	4.1	N.R.
Flue-cured Tobacco						
Loan rate (cents per lb.)	169.9	143.8	143.5	144.2	146.8	N.R.
Effective marketing quota (mil. lbs.)	758.0	699.4	740.0	810.2	900.0	N.R.
National allotmont acreage (thous.)	389.6	966.3	355.5	379.6	426.5	N.R.
Burley Tobacco						
Loan rate (cents per lb.)	178.8	148.8	148.8	150.0	153.2	N.R.
Effective marketing quota (mil. lbs.)	541.7	488.2	524.8	565.0	670.0	N.R.

Commodity	1985	1986	1987	1988	1989	1990
Wool						
Support level (cents per lb.)	165	178	181	178	177	N.R.
Mohair						
Support level (cents per lb.)	443	493	495	469	459	N.R.
Sugar						
Loan rate for raw cane (cents per lb.)	18.00	17.23	18.00	17.50	N.R.	N.R.
Loan rate for refined beet (cents per lb.)	21.06	20.18	21.16	21.07	N.R.	N.R.
Honey						
Loan rate (cents per lb.)	65.3	64.0	61.0	59.1	56.4	N.R.

*U.S. Agricultural Policy Branch, ATAD, ERS. For more information, call (202) 786-1696.

1/ In 1986, the 2.5 percent paid land diversion was mandatory for participants in the wheat program. Also, particpants had the option on an additional 5-10 percent voluntary paid land diversion.

2/ In 1986, the 2.5 percent paid land diversion was mandatory for participants in the feed grain program.

-- = Not applicable.

N.R. = Not released.

AGRICULTURAL AND FOOD POLICY UPDATE: ADMINISTRATIVE DECISIONS

by Letricia M. Womack

COTTON

USDA RELEASES DISCOUNT AND PREMIUM SCHEDULES FOR 1989-CROP COTTON-- USDA announced the discount and premium schedules and the associated schedule of loan rates for the 1989-crops of upland and extra long staple (ELS) cotton. The schedules set the discounts and premiums used by the Commodity Credit Corporation to calculate the price support loans made to eligible cotton producers, based on the quality of cotton offered as loan collateral. The schedules will be used to adjust basic loan rates of 50 cents per pound for the base grade of upland cotton and 81.77 cents per pound for ELS cotton.

GRAINS

ADVANCE DEFICIENCY PAYMENTS ON 1989 CROPS-- USDA announced on April 18, that producers participating in crop programs may elect to receive an additional 10 percent of their projected deficiency payments in advance. This would bring total advance deficiency payments to 50 percent for wheat and feed grains, and 40 percent for cotton and rice. The additional 10-percent advance is expected to total $850 million and will be made in commodity certificates.

GRAIN RESERVE STORAGE/RELEASE LEVELS SET FOR 1989 FEED GRAINS, WHEAT-- USDA announced that based on projections of 1989/90 use for wheat and feed grains, the upper limits of the quantity of grain that may be stored in the farmer-owned grain reserve (FOR) for the 1989 crop years will be 650 million bushels of wheat and 1.4 billion bushels of feed grains. FOR levels will not likely reach these quantities for either wheat or feed grains. The reserve release levels for feed grains and wheat are the same as their established "target" prices for the 1989 wheat and feed grain marketing years.

U.S. CANADA RELEASE SUPPORT LEVELS FOR GRAINS UNDER FREE TRADE AGREEMENT-- The United States and Canada released the producer support levels for wheat, barley and oats calculated under the formulation specified in the U.S.-Canada Free Trade Agreement. The support levels are used as a benchmark to determine whether Canadian import licensing restrictions on certain grains and products will be eliminated. The support levels are calculated in terms of the percent of producers' income provided by government support for each type of grain. The support levels are:

	Wheat	Barley	Oats
	--	Percent	--
United States	61.6	72.5	8.7
Canada	46.3	50.2	11.1

Under the terms of the agreement, Canada will remove its requirement for import licenses for wheat, barley and oats when U.S. support levels for these products are equal to or less than those of Canada.

1989-CROP WHEAT, BARLEY, OATS AND RYE LOAN AND PURCHASE RATES-- USDA'S Commodity Credit Corporation announced county land and purchase rates for the 1989 crops of wheat,

barley, oats and rye. The national average price support rates per bushel for wheat ar $2.06; barley, $1.34; oats, $0.85; and rye, $1.40. The 1989-crop county price support rates were determined in accordance with the Agricultural Act of 1959, as amended and reflect changes in national average price support rates.

1990 WHEAT PROGRAM PROVISIONS--USDA announced a required 5-percent acreage reduction and the following other provisions of the 1990 wheat program:

o a price support loan and purchase rate of $1.95 per bushel, a 20-percent reduction from the basic loan and purchase rate of $2.44.

o the established target price is $4.00 per bushel, the statutory minimum, and down about two percent from the 1989 target price.

o a paid land diversion will not be implemented.

o no marketing loan or related program provisions will be implemented.

o producers will be required to maintain in acreage conservation reserve an area equal to 5.26-percent of program payment acreage.

RICE

1989 RICE PROGRAM PROVISIONS-- USDA has offered eligible rice producers the option of receiving a cash payment equal to the gain which might be realized by repaying a price support loan. The gain is the difference between the loan rate and the prevailing world market price. Under prior programs, producers were required to pledge eligible rice as loan collateral and repay the loan to receive any gain. Under this 1989-crop option, producers may elect to apply for a loan deficiency payment during the loan availability period on a quantity of rice not to exceed their program payment acreage times their program payment yield.

PROGRAM COMMODITIES

COMMON PROVISIONS OF 1990 FARM PROGRAMS--Common provisions of the 1990 farm programs were announced for limited cross compliance for wheat, corn, sorghum, barley, upland cotton and rice. To be eligible under the cross compliance provision for price support loans, purchases or payments, the acreage planted for harvest on a farm may not exceed the acreage bases for these crops. Limited cross compliance will not be in effect for 1990 crops of oats and extra long staple (ELS) cotton. Some of the other common program provisions applicable to the 1990 crops of wheat, feed grains, upland and ELS cotton and rice include:

o production of nonprogram crops on land idled under the various acreage reduction program will not be permitted.

o grazing of land designated as conservation use (CU) acreage for payment under the 50/92 and 0/92 program provisions of the upland cotton, rice, wheat and feed grain programs and acreage conservation reserve (ACR) will be permitted, except during a five-consecutive month period between April 1 and October 31, 1990, as established by the State Agricultural Stabilization and Conservation (ASC) committee.

APPLES

APPLE INDUSTRY ASSISTANCE--USDA's Agricultural Marketing Service, announced that USDA will provide up to $15 million in funds to help offset the effects of oversupply and low prices on the apple

industry. Details of the assistance program include:

o program is open to those in the U.S. apple industry who operate as individuals, partnerships, associations or corporations.

o payments will be made for apples donated to organizations that request them or for apples used in the manufacture of ethanol and livestock feed, or other acceptable non-traditional outlets.

o eligibility for program participation will be determined on a lowest to highest competitive bid basis.

o bids will be considered for apples meeting certain minimum quality standards in 40-pound cartons or bulk bins.

o USDA accepted bids until August 8, at which time the apples were diverted.

o to receive payment, the apples had to be diverted by August 31, and required documentation must be received by USDA by September 30.

o the authority for the apple assistance program is in Section 32 of Public Law 74-320.

Section 32 funds originate from customs receipts and have been traditionally utilized to correct market distortions due to surplus agricultural commodities.

<u>PARTICIPANTS IN APPLE ASSISTANCE PROGRAM</u>--USDA announced that it awarded $9.5 million in contracts to apple producers who applied for acceptance in its recently announced $15 million apple assistance program. Under the terms of the assistance program, producers will receive payments of $4.97 to $8.20 for 40-pound cartons of apples and from $9.45 to $16.50 per hundredweight for apples in bulk bins.

TOBACCO

<u>USDA ANNOUNCES QUOTAS AND REFERENDUM FOR PUERTO RICAN FILLER TOBACCO</u>-- USDA announced marketing quotas for cigar filler (type 46) tobacco for the 1989, 1990 and 1991 crops. The 1989 national acreage allotment for this kind of tobacco will be zero. USDA must proclaim marketing quotas whenever supplies of a particular kind of tobacco become excessive. Since an oversupply of cigar filler (type 46) tobacco currently exists, USDA proclaimed quotas and set the 1989 national acreage allotment at zero. A grower referendum was held on March 29 to determine if growers wanted marketing quotas for cigar filler (type 46) tobacco for the marketing years 1989, 1990 and 1991. Growers approved the quotas, so they will be in effect for the next three crops and a penalty will apply for any 1989 crop marketings. The quotas for 1990 and 1991 have not been determined as yet.

<u>USDA SETS 1989 MARKETING QUOTAS FOR THREE KINDS OF TOBACCO</u>-- A referendum was held on March 27-30 for three kinds of tobacco: Maryland (type 32), cigar filler (type 41), and cigar binder (types 51-52), for the 1989, 1990 and 1991 crops. Quotas were disapproved for all three types, so production will not be limited and price support loans will not be available.

LIVESTOCK AND MEAT

<u>MEAT IMPORT ESTIMATE BELOW 1989 TRIGGER</u>-- USDA announced that the second-quarter estimate of U.S. meat imports for calendar year 1989 is below the level that would require quotas or restraints on imports under the Meat Import Act of 1979. A revised 1989 meat import trigger level of 1,369.8 million pounds, 68 million below

the first quarter level. The change results form the signing of the U.S.-Canada Free Trade Implementation Act of 1988. Canada's meat imports are no longer subject of the U.S. Meat Import Act.

FINAL RULES TO IMPLEMENT POULTRY AMENDMENTS TO P&S ACT--The U.S. Department of Agriculture's Packers and Stockyards Administration announced the publication of final rules to implement the 1987 poultry amendments to the Packers and Stockyards Act. The revisions to existing regulations became effective May 24. The final regulations will:

o set forth the procedure to be followed by live poultry growers and sellers to preserve their interests in the newly created statutory trust;

o stipulate that live poultry dealers cannot dictate the terms or manner of payment as a condition for buying live poultry;

o clarify that poultry obtained under a growout contract is to be weighed for payment purposes immediately upon arrival at the processing plant or holding yard or other scale normally used for such purpose; and

o require live poultry dealers to file annual reports and certain other business information.

The revisions delete the term "handler," which was made obsolete by amendments to the Act. Copies of the revised regulations and policy statements may be obtained by writing to: Administrator, Packers and Stockyards Administration, Room 3039-S, Washington, D.C. 20250-2800.

RULES REVISED FOR THE NATIONAL POULTRY IMPROVEMENT PLAN-- The U.S. Department of Agriculture is expanding the National Poultry Improvement Plan (NPIP) to help reduce the transmission of diseases, such as salmonella infection, in eggs and poultry products. The changes would expand sanitation requirements for breeding flocks and hatcheries supplying chicks and poults to producers of poultry and eggs. The revised program requires surveillance for Group D Salmonella in egg-type breeding flocks, including S. pullorum and S. gallinarum, as well as S. enteritidis, which has been implicated in some cases of food contamination that have caused salmonella infections in humans. The NPIP, administered by APHIS, is a voluntary federal-state-industry program for the improvement of poultry breeding stock and hatchery products.

DAIRY

USDA ANNOUNCES CHANGES IN DAIRY PRICE SUPPORT PROGRAM-- Secretary of Agriculture Clayton Yeutter said today that the level of price support for milk will be temporarily increased for three months, from $10. 60 per hundredweight (cwt.) to $11.10 per cwt. The Disaster Assistance Act of 1988 requires the Secretary to increase the support price by 50 cents per cwt. from April 1 through June 30. The price support of $11.10 per cwt. is for milk with a milkfat content of 3.67 percent -- the national average -- and compares with $10.83 per cwt. for milk with a milkfat content of 3.5 percent. The price support program for milk is carried out through Commodity Credit Corporation purchases of butter, cheese and nonfat dry milk. The CCC has prices for cheese and nonfat dry milk will be increased on April 1 to reflect the higher support price. Because of current

market conditions, all of the price support increase for butter and nonfat dry milk has been applied to the CCC purchase price for nonfat dry milk. The CCC purchase price for nonfat dry milk will be increased by 6.25 cents per pound to $0.79 per pound. The butter price will be unchanged at $1.32 per pound. The CCC purchase prices for block Cheddar and barrel cheese will be increased by 5 cents per pound to $1.2025 per pound and $1.1625 per pound, respectively. These purchase prices are in accordance with recent legislation which stipulates that at least 75 percent of the price support increase shall be for the purchase of nonfat dry milk and not more than 25 percent for butter. Further terms and conditions for CCC purchases of dairy products will be contained in CCC announcements. CCC-owned dairy products will continue to be available for purchase for unrestricted use at prices which are about 10 percent over the prevailing CCC price support purchase prices. Currently, only butter is being offered by CCC for sale.

WOOL AND MOHAIR

USDA ANNOUNCES 1989 WOOL AND MOHAIR SUPPORT PRICES-- USDA announced that support prices for wool and mohair for 1989 marketings will be $1.77 per pound for shorn wool and $4.588 per pound for mohair. The price support payments for shorn wool will be based on a percentage of each producer's return from shorn wool sales.

CONSERVATION AND NATURAL RESOURCES

FARMERS HAVE CONSERVATION PLANS FOR 78 PERCENT OF HIGHLY ERODIBLE LAND-- Conservation plans have been developed for nearly four-fifths of the nation's highly erodible cropland. Conservation plans have been approved for 105.4 million acres, or 78 percent of highly erodible cropland that will need compliance plans by the end of the year. Producers who cultivate highly erodible cropland must have an approved conservation plan by December 31 to remain eligible for USDA program benefits. Those plans must be implemented by December 31, 1994.

SOIL EROSION DOWN-- USDA's Conservation Reserve Program will reduce soil erosion by nearly 610 million tons of soil per year on the 30.6 million acres contracted in the program to date. The goal of the Conservation Reserve Program is to retire 40-45 million acres of highly erodible cropland from production. Farmers submit bids at the USDA's Agricultural Stabilization and Conservation Service office to put their land into the program. The eighth signup resulted in nearly 2.5 million more acres in the program and erosion reduction of more than 35 million tons per year when vegetation is established. The ninth sign-up for the program was held from July 17 through August 4. The date for the tenth signup is unavailable at this time. The program is scheduled to end December 31, 1990.

DROUGHT ASSISTANCE

SECRETARY YEUTTER ANNOUNCES DROUGHT ASSISTANCE FOR U.S. FARMERS-- Dryness in parts of the country and pleas for aid from Midwestern governors, led the Secretary of Agriculture to announce several measures to deal with drought-impacted crop conditions throughout the Nation's agricultural sector.

This past spring and summer for those farmers in counties meeting loss eligibility criteria established by USDA's Agricultural Stabilization and Conservation Service actions include: emergency haying and grazing for Acreage Conservation Reserve (ACR) and Conservation Use (CU) acreage and Emergency Feed Assistance and Emergency Feed Programs (EFAP and EFP). In addition to the emergency provisions, the Secretary also established a 1989 USDA Drought Task Force, to closely monitor weather, crop and livestock conditions throughout the country and make recommendations for further action if and when appropriate. The announced program will, however, apply in all counties which meet the eligibility criteria, irrespective of where they are located. For further details see AGRICULTURAL AND FOOD POLICY UPDATE: LEGISLATION.

INTERNATIONAL

<u>FISCAL 1990 COUNTRY, COMMODITY ALLOCATION REVISIONS</u>--The U.S. Department of Agriculture issued revised country and commodity allocations for fiscal 1989 under Titles I and III of Public Law 480, the Food for Peace Program. The current program plans provide $799.0 million for commodity shipments and ocean freight charges, changed from $805.3 million the previous quarter. Of the current amount, $780.0 million is presently allocated and $14.0 million is being held in unallocated reserve. The revised allocations meet the legal requirement of Section III of P.L. 480, which directs that not less than 75 percent of the food commodities be allocated to friendly countries that meet the per capita income criterion for lending by the International Development Association. Currently the countries in this category are those with an annual per capita gross national product of $940 or less.

AGRICULTURE AND FOOD POLICY UPDATE: LEGISLATION

by Susan L. Pollack

Balance in the Stocks of Dairy Products Purchased by the Commodity Credit Corporation, Provision (P.L. 101-7) was signed on March 29, 1989. The law would balance the purchase price of butter and non-fat dry milk with respect to the temporary increase in milk price support of 50 cents per hundredweight. This increase was required by The Disaster Assistance Act of 1988.

Agricultural Act of 1949, Amendment (P.L. 101-81) was signed on August 14, 1989. The law allows the planting of alternative crops on permitted acreage for 1990 crops. These crops include canola, rapeseed, sunflower, safflower, flaxseed, kenaf, crambe, guayule, milkweed, or meadowfoam.

The Disaster Assistance Act of 1989 (P.L. 101-82) was signed on August 14, 1989. The law is similar to The Disaster Assistance Act of 1988. It provides financial assistance to producers whose production losses exceed 35 percent for program participants with crop insurance, 40 percent for those without, 50 percent for program nonparticipants and nonprogram crop producers, and 55 percent for soybeans and sunflower producers.

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Compiled by R. G. F. Spitze and Edward C. Wilson

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Request a copy of this set of papers (charge of $22, Focus on Future only) from Ronald D. Knutson, Texas A&M University, Department of Agricultural Economics, College Station, TX 77843-2124.

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Request a copy of this paper from Sharon Davies, Department of Agricultural Economics, Waters Hall, Kansas State University, Manhattan, KS 66506.

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